ANNUAL REPORT

of the Secretary of the Treasury
on the State of the Finances

, 1970.

FOR THE FISCAL YEAR ENDED JUNE 30, 1970

DEPARTMENT OF THE TREASURY

DOCUMENT NO. 3251

Secretary

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The statistical tables to this Annual Report will be published in a separate STATISTICAL APPENDIX.

CONTENTS

REVENUE SHARING

LAW ENFORCEMENT DEVELOPMENTS

INTERNATIONAL FINANCIAL AND MONETARY DEVELOPMENTS

STATISTICAL APPENDIX

The tables to this Annual Report will be published in the separate "Statistical Appendix."

NOTE.—Details of figures may not add to totals because of rounding.

Secretaries, Under Secretaries, General Counsels, Assistant Secretaries, and Deputy Under Secretaries for Monetary Affairs, Serving in the Department of the Treasury from January 21, 1969, through July 1, 1970 [1]

Term of service		Officials
From	To	
		Secretary of the Treasury
Jan. 22, 1969		David M. Kennedy, Illinois.
		Under Secretary
Jan. 27, 1969		Charls E. Walker, Texas.
		Under Secretary for Monetary Affairs
Jan. 27, 1969		Paul A. Volcker, New Jersey.
		General Counsels
Apr. 1, 1969	Mar. 20, 1970	Paul W. Eggers, Texas.
July 1, 1970		Samuel R. Pierce, Jr., New York.
		Assistant Secretaries
May 15, 1968		John R. Petty, New York.
Mar. 11, 1969		Edwin S. Cohen, Virginia.
Apr. 1, 1969		Eugene T. Rossides, New York.
June 23, 1969		Murray L. Weidenbaum, Missouri.
		Deputy Under Secretaries of the Treasury for Monetary Affairs
Feb. 12, 1968	Mar. 31, 1969	Frank W. Schiff, New York.
Apr. 1, 1969		Bruce K. MacLaury, New Jersey.
		Fiscal Assistant Secretary
June 15, 1962		John K. Carlock, Arizona.
		Assistant Secretary for Administration
Sept. 14, 1959		A. E. Weatherbee, Maine.

[1] For officials from Sept. 11, 1789, to Jan. 20, 1969, see 1969 annual report, pp. 382–390.

PRINCIPAL ADMINISTRATIVE AND STAFF OFFICERS OF THE DEPARTMENT OF THE TREASURY AS OF JULY 1, 1970

Secretary of the Treasury	David M. Kennedy
Assistant to the Secretary	Donald A. Webster
Confidential Assistant to the Secretary	Mary E. Harris
Under Secretary of the Treasury	Charls E. Walker
Assistant to the Under Secretary	Edward J. Gannon
Staff Assistant to the Under Secretary	Richard D. Chotard, Jr.
Under Secretary for Monetary Affairs	Paul A. Volcker
Deputy Under Secretary for Monetary Affairs	Bruce K. MacLaury
Special Assistant to the Secretary (Debt Management)	Edward J. Geng
General Counsel	Samuel R. Pierce, Jr.
Deputy General Counsel	Roy T. Englert
Assistant General Counsel and Chief Counsel, IRS	K. Martin Worthy
Assistant General Counsel	Charlotte Tuttle Lloyd
Assistant General Counsel	Michael Bradfield
Assistant General Counsel	Hugo A. Ranta
Assistant General Counsel	Donald L. E. Ritger
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Deputy Assistant Secretary (Tax Legislation)	John S. Nolan
Deputy Assistant Secretary (Tax Analysis)	Joel E. Segall
Associate Director, Office of Tax Analysis	Gerard M. Brannon
Assistant Director	Richard E. Slitor
Assistant Director	Thomas F. Leahey
Assistant Director, Office of Tax Analysis and Director, Office of International Tax Affairs	Nathan N. Gordon
Assistant Director	Gabriel G. Rudney
Chief Excise Taxation Staff	John Copeland
Chief Business Taxation Staff	Seymour Fiekowsky
Chief Aggregate Economic Forecasting Staff	Ralph B. Bristol
Tax Legislative Counsel	Meade Whitaker
Deputy Tax Legislative Counsel (International) and Special Assistant to Assistant Secretary	Robert T. Cole
Deputy Tax Legislative Counsel	John E. Chapoton
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Associate Tax Legislative Counsel (International) and Deputy Special Assistant to Assistant Secretary	Robert J. Patrick, Jr.
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Director, Office of Financial Analysis	John H. Auten
Director, Office of Debt Analysis	Edward P. Snyder

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Deputy Assistant Secretary	William L. Dickey
Special Assistant (Secret Service)	John T. Sherwood
Director, Office of Law Enforcement	Martin R. Pollner
Deputy Director, Office of Law Enforcement	G. Gordon Liddy (Acting)
Director, Consolidated Federal Law Enforcement Training Center	Vacancy
Deputy Director, Consolidated Federal Law Enforcement Training Center	Robert G. Efteland
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INTERPOL Chief	Kenneth S. Giannoules
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Deputy to Assistant Secretary for International Financial and Economic Affairs	Ralph Hirschtritt
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Director, Office of International Gold and Foreign Exchange Operations	T. Page Nelson
Director, Office of International Economic Activities	Robert G. Pelikan
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Fiscal Assistant Secretary	John K. Carlock
Deputy Fiscal Assistant Secretary	Hampton A. Rabon
Assistant Fiscal Assistant Secretary	Boyd A. Evans
Assistant Fiscal Assistant Secretary	Sidney Cox
Assistant Secretary for Administration	A. E. Weatherbee
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Deputy Special Assistant to the Secretary	Philip H. Potter (Acting)
Senior Consultant	Henry C. Wallich
Deputy Assistant to the Secretary (Director, Executive Secretariat)	Paul R. Beach

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Chief Disbur ing Officer	Lester W. Plumly
Director, Government Financial Operations	Sebastian Fama

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Assistant Commissioner, Office of Operations	David C. Ellis
Assistant Commissioner, Office of Regulations and Rulings	Robert V. McIntyre
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As istant Director	Sidney F. Carwile

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Deputy Commissioner	J. J. Lubeley
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Assistant Commissioner (Administration)	Edward F. Preston
Assistant Commissioner (Inspection)	Vernon D. Acree
Assistant Commissioner (Compliance)	Donald W. Bacon
Assistant Commissioner (Data Proces ing)	Vacancy
Assistant Commissioner (Planning and Research)	Albert W. Brisbin
Assistant Commissioner (Technical)	Harold T. Swartz
Chief Counsel	K. Martin Worthy

OFFICE OF THE COMPTROLLER OF THE CURRENCY

Comptroller of the Currency	William B. Camp
First Deputy Comptroller	Justin T. Watson
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Deputy Comptroller	Thomas G. DeShazo
Deputy Comptroller	John D. Gwin
Deputy Comptroller for Economics	David C. Motter
Chief National Bank Examiner	F. H. Ellis
Deputy Comptroller (Mergers and Branches)	R. J. Blanchard
Deputy Comptroller (FDIC Affairs)	Albert J. Faulstich
Deputy Comptroller (Trusts)	Dean E. Miller
Chief Counsel	Robert Bloom

OFFICE OF THE TREASURER OF THE UNITED STATES

Treasurer of the United States	Mrs. Dorothy A. Elston
Deputy Treasurer	William T. Howell
Assistant Deputy Treasurer	Willard E. Scott

U.S. SAVINGS BONDS DIVISION

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Assistant National Director	Thomas Hughes
Director of Sales	Jesse L. Adams, Jr.
Director of Advertising and Promotion	Edmund J. Linehan

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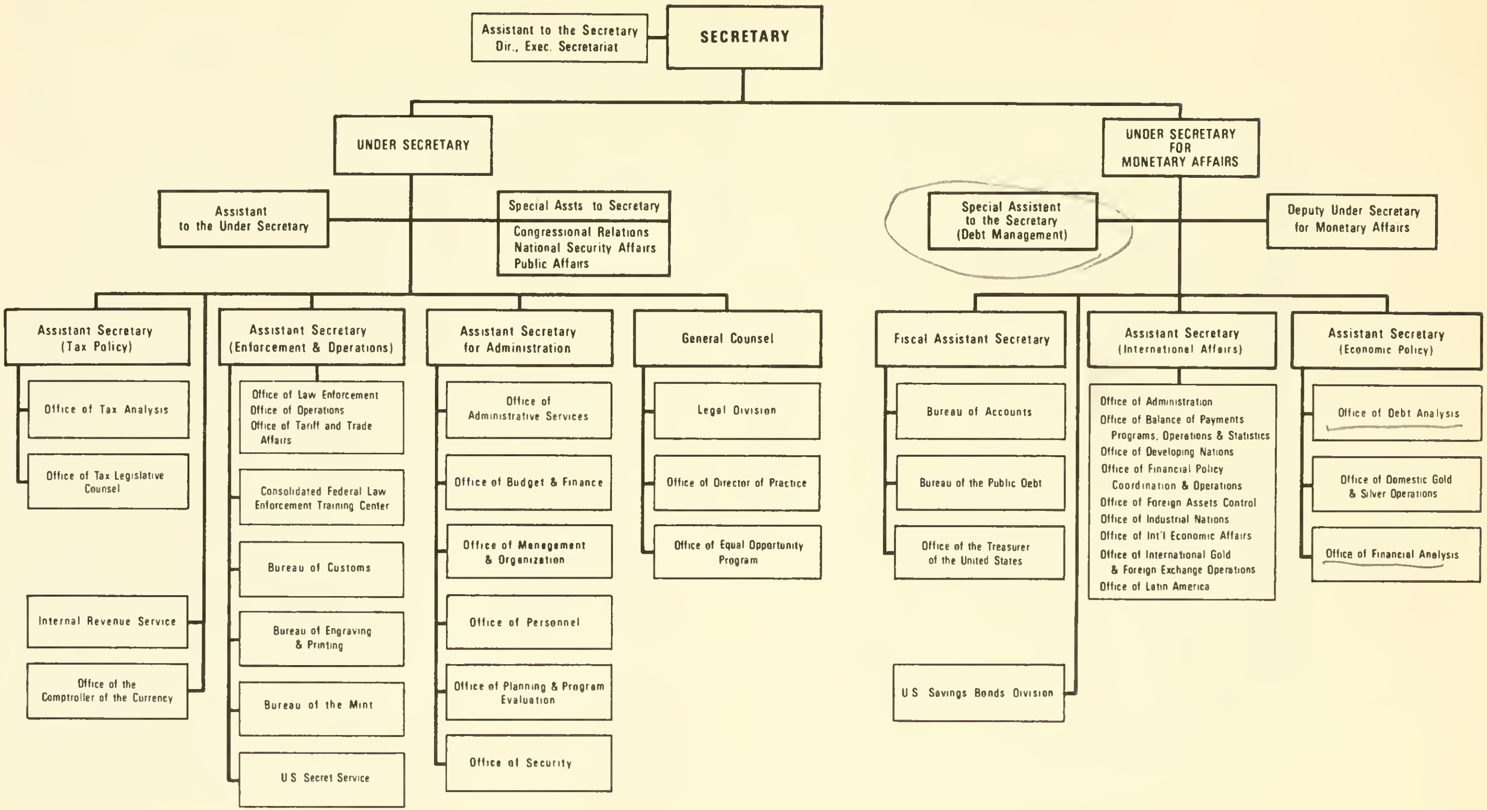
Director	James J. Rowley
Deputy Director	Rufus W. Youngblood
Assistant Director (Administration)	Phil W. Jordan
Assistant Director (Investigations)	Burrill A. Peterson
Assistant Director (Protective Forces)	Lilburn E. Boggs
Assistant Director (Protective Intelligence)	Thomas J. Kelley

COMMITTEES AND BOARDS

Chairman, Treasury Management Committee	A. E. Weatherbee
Chairman, Treasury Awards Committee	Amos N. Latham, Jr.
Principal Compliance Officer	Samuel R. Pierce, Jr.
Equal Employment Opportunity Officer	Samuel R. Pierce, Jr.
Chairman, Advisory Committee on Ethical Standards	Samuel R. Pierce, Jr.

ORGANIZATION OF THE DEPARTMENT OF THE TREASURY



ANNUAL REPORT ON THE FINANCES

DEPARTMENT OF THE TREASURY,
Washington, December 17, 1970.

SIRS: Pursuant to the requirements of 31 U.S.C. 1027, I have the honor of presenting to you the annual report on the finances of the Federal Government for the fiscal year 1970. This report consists of three parts: First, this introduction reviews the major economic and financial developments during fiscal year 1970—the overview, as it were. Second, the main text of this report and its supporting data provide detailed information on the operations and administrative activities of the Department of the Treasury during the fiscal year. The last part of this report, the supporting tabular data, follows in the separate Statistical Appendix.

The Overview

The National Economy

Fiscal year 1970 saw the transition from an overheated, highly inflationary environment to a less inflationary environment capable of sustaining renewed growth. As fiscal 1970 began, appropriate monetary and fiscal policies had been successful in slowing down the rate of total spending and bringing it into approximate balance with productive potential. This reduction of excess demand was the first necessary step in bringing inflation under control.

The transition to a less inflationary environment was accompanied by, and to some extent necessarily complicated by, a second major transition—the adjustment from a wartime to a peacetime economy. The Government made progress toward investing as much in human resource programs as in national defense. In addition, between the first and last quarters of the fiscal year, national defense purchases, as recorded in the national income accounts, fell by $3 billion. Unfortunately, such a major change of emphasis carries some short term disadvantages despite the merits of the change. In this case, due to the lower levels of defense procurement, there was an estimated decrease of about 400,000 in job opportunities, and certainly some part of the rise in regional unemployment rates can be attributed to reduced defense orders. However, over the long run, through new job opportunities and human resource programs such as manpower retraining,

it is expected that the persons affected by the change will be reabsorbed into the work force.

The fight against inflation certainly overshadowed the shift to a peacetime economy in terms of public interest—a natural emphasis considering the readily visible effects of inflation on the purchasing power of millions of Americans. The major economic indicators showed that, by the end of the year, the combination of orthodox fiscal and monetary policies had begun to slow down a persistent inflation.

In the last quarter of the fiscal year, the GNP price deflator rose at a 4.3 percent annual rate, compared to 5.3 percent on a comparable basis in the previous quarter. In consumer prices, the rate of increase fell below 6 percent by the end of the year. Further improvement was expected since retail prices did not, at that time, fully reflect the lower rate of advance which had been developing in the wholesale price area. In the latter area, on a seasonally adjusted basis, the annual rate of increase dropped to 1 percent in the last quarter of the year, partly because of an actual decline in farm and food prices. While it was fully expected that some of the observed improvement in the price picture might not occur every single month, the outlook, from all indications, was for a declining rate of inflation.

Since the remaining inflationary pressures were largely of the cost-push variety, it was noteworthy that, after more than a year of little gain or actual decline, productivity in the private economy rose at an annual rate of 3.7 percent in the last quarter of the year. This gain in productivity held the rise in unit labor costs in the closing quarter to an annual rate of 1½ percent.

While these indicators were encouraging, strong inflationary momentum still existed at the end of the fiscal year. Continued gains in productivity coupled with restraint in wage bargaining and pricing decisions will be needed in fiscal 1971 in order to restore better balance to the cost-price structure. The usual process can be assisted by the inflation alert of the Council of Economic Advisers and by the Productivity Commission established by President Nixon shortly before the end of the year. However, major reliance will continue to be placed upon fiscal and monetary policy to bring the inflation to an end and restore the conditions for balanced growth.

To restore conditions for balanced growth, it will also be extremely important from the standpoint of the financial markets to avoid a large Federal budget deficit. Such a deficit would undermine confidence in the Government's resolve to fight inflation as well as the trend toward lower interest rates which developed toward the end of the year.

At the time the fiscal 1971 budget was submitted in February, a surplus of $1.5 billion was projected for 1970. With tax receipts run-

ning somewhat below expectations, a reestimate in May placed the deficit at $1.8 billion. The final deficit for the year was $2.8 billion and reflected the slower pace of the economy and the operation of the so-called automatic stabilizers. Budget outlays were actually $1.6 billion below the May estimate and $1.3 billion below the February budget estimate, despite higher outlays for such uncontrollable items as interest on the public debt and farm price support payments. Budget receipts, on the other hand, were $2.7 billion below the May estimate and $5.6 billion below the February budget estimate, reflecting lower than expected levels of individual and corporate tax receipts.

At the time of the May estimate, fiscal year 1971 outlays were projected at $205.6 billion, with receipts of $204.3 billion, for a deficit of $1.3 billion. The estimated receipts assumed favorable legislative action upon administration revenue-raising recommendations in the tax area. These legislative proposals consist of:

—Postponement of scheduled reductions in excise taxes on automobiles and communication services to prevent a revenue loss of $650 million in fiscal year 1971 and $1,250 million in fiscal 1972.
—A proposed acceleration in gift and estate tax payments to raise approximately $1.5 billion in additional receipts for fiscal year 1971.
—A proposed tax of $4.25 per pound on lead additives used in gasoline. This tax is a vital element in the administration's top-priority program to reduce air pollution. While the proposed tax is estimated to yield a first-year revenue gain of approximately $1.6 billion, it is designed primarily as an incentive for the development of lead-free gasoline, not as a revenue-raising measure per se.

(A full discussion of taxation developments in fiscal 1970 appears on pp. 27–37.)

In domestic financial markets, pressures forcing up interest rates were relatively intense at times during the year, but a more settled atmosphere seemed to be developing by the end of the year. In the first 6 months, short term interest rates rose sharply but fell by a roughly equivalent amount in the second half. Three-month Treasury bill rates began the year at 6½ percent, rose to a peak of slightly more than 8 percent in late December 1969, and then dropped irregularly to about 6⅜ percent by the end of June 1970. Market yields on long term Government, corporate, and municipal securities rose fairly steadily during the first half of the fiscal year but then flattened out. In the late spring and early summer of 1970, corporate and municipal yields pushed still higher. The yield on new AA corporates reached 9.9 percent in mid-June, and yields on new offerings of municipals exceeded 7 percent in late May. But, by the end of the year, long term yields were rapidly falling back from their highs.

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One favorable aspect of interest rate developments during the year was the relative decline in short term market rates. This placed the thrift institutions in a more favorable competitive position, and savings flows picked up considerably during the course of the year. In conjunction with special Federal efforts, this increase in available funds promised to support an upturn in housing over the long run.

At times during the year, considerable concern was expressed in some quarters over the possibility of a so-called liquidity crisis. Markets continued to function effectively, however. Actions by the monetary authorities—particularly the June 1970 relaxation of regulation Q ceilings in the short term area—and the demonstrated resilience of financial markets did much to allay any fears that strains would unduly inhibit the financing of sound companies. With moderate growth in the monetary aggregates resumed, no general shortage of liquidity was expected to emerge.

Undoubtedly a large Federal budget deficit could disturb this more settled atmosphere of the financial markets. Close restraint over Federal expenditures and favorable action on the above-mentioned tax proposals can avert this situation.

Meanwhile, President Nixon took two steps which could have a dramatic impact on the handling of finances in this country over the long run. First, early in the fiscal year, the President sent a special message to the Congress describing the administration plan for revenue sharing with State and local governments. During the course of the year, the general approach was endorsed by the National Governors' Conference, the U.S. Conference of Mayors, the National League of Cities, the National Association of Counties, and the National Legislative Conference of State Officials, and by numerous State and local leaders.

Second, in an economic report in February, the President announced that he would appoint a Presidential Commission on Financial Structure and Regulation to study the role of financial institutions and to make recommendations for any needed changes. Under the chairmanship of Reed O. Hunt, the Commission held its first meeting in Washington on June 27 and announced plans for intensive research.

Specific Treasury Activities

Fiscal year 1970 saw the Department of the Treasury carry out its traditional responsibilities as well as some more novel responsibilities, principally in the area of law enforcement.

In the field of taxation, the enactment of the Tax Reform Act of 1969 (Public Law 91–172) was one of the most significant changes to the Federal revenue system. Some of the provisions of the act had a

short term impact, such as the extension of the income tax surcharge at a 5-percent rate from January 1 to June 30, 1970, and the extension of automobile and telephone excise tax rates to December 31, 1970.

Other provisions of the 1969 Tax Reform Act are of a longer term nature, such as the repeal of the investment tax credit and a variety of tax reform and relief measures which are discussed at length later in this report.

Treasury's debt management policies were conducted successfully despite the difficult market conditions described earlier. During the first half of the year there was net borrowing from the public (unified budget basis) of $9.8 billion followed by net repayment of $4.4 billion in the second half of the year. This reflected the normal seasonal pattern. For the full year net borrowing from the public of $5.4 billion compared with net repayment of about $1 billion in fiscal 1969 (after adjustment for certain reclassification of debt and investments of enterprises in fiscal 1969 to place the figures on a comparable basis).

The shift to net borrowing from the public was largely due to the swing from a $3.2 billion budget surplus in fiscal 1969 to the aforementioned $2.8 billion deficit in fiscal 1970. The amount of net borrowing was relatively small by recent standards but was supplemented by about an $11 billion increase during the year in the debt of quasi-Federal agencies which are not included in the budget totals any longer. (For a detailed discussion of Treasury financing operations during the fiscal year 1970, see pp. 17–23.)

In the area of law enforcement, Treasury strengthened its activities at every level including the undertaking of a coordinated approach to problems requiring enforcement by several departments.

Confronted by the drug crisis, Treasury secured and used an $8.7 million supplemental appropriation to improve customs control of drug smuggling. Treasury shared the lead role in Operation Intercept, a massive drug search effort along the U.S.-Mexican border. This was followed by Operation Cooperation, a joint U.S.-Mexican effort to control illicit drug traffic.

With full departmental support, Customs intensified inspection of passengers, baggage, and cargo at all border points. A three-pronged attack against cargo pilferage was also launched.

Treasury committed its resources to combat organized crime by:

(1) Participating with other Government agencies in National Strike Force actions;

(2) Urging adoption of laws designed to defeat the use of foreign bank accounts to further unlawful purposes;

(3) Acting administratively under existing laws and treaties to make more accessible information on use by U.S. citizens and resi-

dents of secret foreign bank accounts to further criminal activities; and,

(4) Seeking a judicial assistance treaty with Switzerland to enlarge access to such information.

In revitalizing its enforcement of antidumping and countervailing duty laws, Treasury adopted policies which expanded the use of enforcement tools, expedited procedures and increased personnel.

A separate Office of Law Enforcement was created within Treasury to facilitate top level cooperation on enforcement activities with the appropriate Government agencies. In addition, Treasury personnel utilized the Consolidated Federal Law Enforcement Training Center, an independent organization established to provide in-depth training to criminal investigators for all Treasury and other Government enforcement activities.

International Developments

In the international area, there were further evolutionary improvements of the international monetary system during the year. Final agreement was reached within the international financial community on the procedures for planned and orderly creation of additions to international gold and foreign exchange reserves. Creation of the Special Drawing Rights facility in the International Monetary Fund came after years of painstaking study and negotiations and was a landmark in international financial cooperation.

Provision for the allocation of SDR was made through amendment to the Fund's Articles of Agreement which became effective July 28, 1969. The first year's allocation of $3.4 billion in SDR was made on January 1, 1970, and the facility entered into active use.

A proposal to increase quotas within the International Monetary Fund has been placed before the member governments. A quota increase is necessary at this time to keep pace with the growth in the world economy and world trade. This third increase in Fund quotas since its founding in 1945 would raise the total size of the Fund to $28.9 billion, an enlargement of about 35 percent. The increase in the U.S. quota would be $1,540 million, bringing the U.S. share up to $6,700 million. Enabling legislation was pending before the Congress at the close of the fiscal year.

During the course of the year, possible modification of exchange rate practices was also under study within the International Monetary Fund. Attention focused on some limited evolutionary changes, consistent with the basic purpose and functioning of the exchange rate system established at Bretton Woods. While no consensus appeared to have yet been reached among the Fund membership on the need or

desirability of an amendment of the Articles of Agreement of the IMF, the discussions had been valuable in clarifying the nature of proposals for limited exchange rate flexibility and in developing a better appreciation of their usefulness and limitations.

Early in the year, the exchange markets themselves were subjected to rather severe strains and two major exchange rate adjustments occurred. The French franc was devalued by 11.1 percent on August 8. In late September and part of October the German mark was allowed to float, after which a new parity was established, with the eventual revaluation amounting to 9.29 percent. By the end of December 1969, these changes had exerted a cooling effect upon the exchange markets by removing the threat that French and German payments disequilibria might provoke serious international financial difficulties.

With sterling making a strong recovery in late 1969 and early 1970, the exchange markets became much better balanced. At the end of May, after heavy exchange market gains, the Canadian Government announced that for the time being the rate would not be kept from exceeding its ceiling. After an initial flurry of uncertainty, exchange markets traded on an orderly basis. At the close of the fiscal year the Canadian dollar was near $0.97, about 4½ percent above parity. (A fuller discussion of international financial affairs during fiscal 1970 will be found on pp. 37–57.)

In private gold markets, there was a more settled atmosphere as a result of the exchange rate adjustments of the French franc and the German mark, successful implementation of the SDR plan, and clarification of South African gold sales policy embodied in an IMF policy decision. The price of gold in London fell from around $40.75 in early October 1969 and reached the $35 level during December. After fluctuating around the $35 level early in 1970, the price rose briefly above $36 in May before falling back near $35.40 in June. The present two-tiered gold system gives every sign of continuing to function successfully.

The U.S. gold stock stood at $11.889 billion by the end of fiscal 1970. This represented a rise of $736 million during the year. Total U.S. reserve assets—including SDR, holdings of convertible foreign currencies, and the U.S. reserve position in the International Monetary Fund—totaled $16.328 billion at yearend.

While the reserve position of the dollar was strong, it was clear that the chronic balance-of-payments problem still remained. Neither of the conventional measures of the deficit—liquidity and official settlements—was giving an entirely meaningful picture. The liquidity deficit was swollen by the cycling of funds through the Euro-dollar market during a period of monetary restraint. The result on the official

settlements basis, on the other hand, tended to be distorted by short term movements of foreign official funds into and out of the Euro-dollar market. But even after allowance for temporary factors, the deficits were sizable and indicated the need for better balance-of-payments performance in the future.

On the basis of preliminary information, the deficit on the liquidity basis amounted to about $4.9 billion for the year, roughly the same as in fiscal 1969. On the official settlements basis, the deficit for the year was estimated near $5.1 billion, compared to a surplus of $2.8 billion in fiscal 1969.

An encouraging development during the year was the steady improvement in the merchandise trade account. The balance moved from a small deficit position at the end of fiscal 1969 to a surplus of $848 million in the final quarter of fiscal 1970, on the basis of preliminary estimates. Sharp expansion in U.S. exports coupled with a much slower rise in U.S. imports accounted for the better performance.

Over the longer run, a strong current account position will be essential for U.S. balance of payments equilibrium. Our natural role as a net supplier of long term capital to the rest of the world will require that we cover a substantial portion of that outflow by a surplus on goods and services transactions. The return of the economy to a noninflationary path of expansion will facilitate achievement of that objective.

We are trying to assure that financing facilities for our exports are not inferior to those of other countries. In addition, the Treasury proposed to the Congress a modification of tax treatment of exporting activity. Under the proposal, taxation of profits from export sales of a so-called Domestic International Sales Corp., would be deferred until such time as dividends from that income are distributed to the shareholders.

Conclusion

By the close of the fiscal year, there were welcome signs that inflationary pressures were receding. The foundation was laid in fiscal 1970 for a renewed and more stable expansion of the economy. However, in the future, it will be essential to shape fiscal and monetary policy with particular care to insure that expansion occurs within a much less inflationary environment than in recent years.

David M. Kennedy,
Secretary of the Treasury.

To The President of the Senate.
To The Speaker of the House of Representatives.

REVIEW OF TREASURY OPERATIONS

Financial Operations

Summary

On the unified budget basis the deficit for fiscal 1970 was $2.8 billion (compared with a surplus of $3.2 billion for fiscal 1969). Net receipts for fiscal 1970 amounted to $193.7 billion ($6.0 billion over 1969) and outlays totaled $196.6 billion ($12.0 billion over 1969).

Borrowing from the public amounted to $5.4 billion and was related to (1) the $2.8 billion deficit, (2) a $1.6 billion increase in cash and monetary assets, and (3) a $1.0 billion decrease in other means of financing. As of June 30, 1970, Federal securities outstanding totaled $383.4 billion, comprised of $370.9 billion in public debt securities and $12.5 billion in agency securities. Of the $383.4 billion, $284.9 billion represented borrowing from the public. The Government's fiscal operations in fiscal years 1969–70 are summarized as follows:

	In billions of dollars			
	1969		1970	
Budget receipts, expenditures, and lending:				
Expenditure account:				
Receipts	187.8		193.7	
Expenditures	183.1		194.5	
Expenditure account deficit (−), or surplus		4.7		−.7
Loan account:				
Net lending		1.5		2.1
Total budget:				
Receipts	187.8		193.7	
Outlays	r 184.5		196.6	
Budget deficit (−), or surplus		3.2		−2.8
Means of financing:				
Borrowing from the public, decrease (−)	−11.1		5.4	
Reduction of cash and monetary assets, increase (−)	−2.2		−1.6	
Other means:				
Conversion of certain Government corporations to private ownership	10.2		.4	
Other	−.1		−1.4	
Total budget financing		−3.2		2.8

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Budget Receipts and Outlays

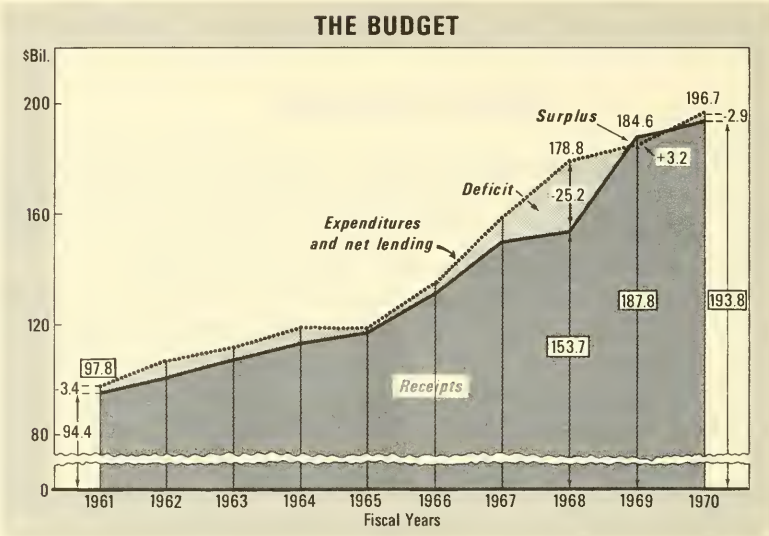

CHART 2

Receipts

Total receipts have risen in each of the last 11 years, amounting to $193.7 billion in fiscal 1970, $6.0 billion above fiscal 1969. In comparison with fiscal 1969 receipts, which showed a rise of $34.1 billion, the 1970 results suffered by reason of the bunching of revenue in 1969 occasioned by the delayed enactment of the income tax surcharge in the Revenue and Expenditure Control Act of 1968. In addition, fiscal control measures adopted early in 1969 restrained the buoyant (and inflationary) course of general economic activity and had their necessary impact on Federal revenues.

In summary, Government revenues continued to expand in fiscal 1970, although at a slower pace. A comparison of net budget receipts by major sources for fiscal years 1969 and 1970 is shown below.

[In millions of dollars]

Net budget receipts	1969	1970	Increase or decrease (—)
Individual income taxes	87, 249	90, 412	3, 163
Corporation income taxes	36, 678	32, 829	—3, 848
Employment taxes	34, 236	39, 133	4, 897
Unemployment insurance	3, 328	3, 464	136
Contributions for other insurance and retirement	2, 353	2, 701	347
Excise taxes	15, 222	15, 705	483
Estate and gift taxes	3, 491	3, 644	154
Customs	2, 319	2, 430	111
Miscellaneous receipts	r 2, 908	3, 424	516
Total budget receipts	r 187, 784	193, 743	5, 959

r Revised.

Projected estimates of receipts, required of the Secretary of the Treasury, are shown and explained in the President's budget. The 1971 estimates were reviewed and revised in the Bureau of the Budget release of May 19, 1970.

Individual income taxes.—Individual income taxes amounted to $90.4 billion in fiscal 1970, $3.2 billion above the 1969 figure. The increase of 4 percent reflects rising incomes, offset by the reduced income tax surcharge, and the bunching of receipts caused by the delayed enactment of the 1968 act.

Corporation income taxes.—Corporation income taxes dropped in fiscal 1970, totaling $32.8 billion, $3.8 billion below the 1969 receipts. The decrease is attributed to a bunching of 1969 receipts and lower expectations of 1970 profits and tax liabilities and the reduction in the surcharge.

Employment taxes.—Employment taxes totaled $39.1 billion in fiscal 1970, $4.9 billion above such receipts in 1969. The rise reflected expanding payrolls and number of people employed, as well as the full-year effect of an increase in the combined tax rate from 8.8 percent to 9.6 percent effective January 1, 1969.

Unemployment insurance.—Receipts from unemployment insurance amounted to $3.5 billion in fiscal 1970, slightly above the 1969 figure.

Contributions for other insurance and retirement.—Such contributions and premiums amounted to $2.7 billion in fiscal 1970, $0.3 billion above receipts in fiscal 1969. These receipts are composed of medical insurance premiums for the aged and Federal employees retirement deductions. Receipts from each increased in fiscal 1970.

Excise taxes.—Excise tax receipts are detailed in the following table.

[In millions of dollars]

	1969	1970	Increase or decrease (−)
Alcohol taxes	[r] 4,556	4,746	191
Tobacco taxes	2,138	2,094	−43
Documents	1	(*)	−1
Manufacturers excise taxes	6,501	6,683	182
Retailers excise taxes (repealed)	(*)	(*)	(*)
Miscellaneous excise taxes	2,148	2,342	195
Undistributed depositary receipts and unapplied collections	[r] 199	38	−161
Gross excise taxes	15,542	15,904	361
Less refund of receipts	320	199	−121
Net excise taxes	15,222	15,705	483

[r] Revised.
* Less than $500,000.

Excise taxes rose from $15.2 billion in fiscal 1969 to $15.7 billion in fiscal 1970. The rise in total was $0.5 billion, over $182 million of this occurring in manufacturers excise taxes. Other significant rises occurred in the alcohol and miscellaneous excise taxes.

Estate and gift taxes.—Estate and gift tax receipts of $3.6 billion in fiscal 1970 were $0.2 billion above receipts in 1969.

Customs.—Customs duties continued to advance in fiscal 1970 reaching $2.4 billion, $0.1 billion above 1969. The rise reflected further increases in taxable imports.

Miscellaneous receipts.—Miscellaneous receipts amounted to $3.4 billion in fiscal 1970, rising $0.5 billion from receipts of $2.9 billion in fiscal 1969. The increase was almost wholly due to deposits of earnings by Federal Reserve banks.

Outlays

Total outlays in fiscal 1970 were $196.6 billion (compared with $184.5 billion for 1969). The outlays consisted of expenditures in the expenditure account of $194.5 billion and net lending in the loan account of $2.1 billion. Outlays for fiscal 1970, by major agency, are compared to those of 1969 in the following table. For details of the expenditure account and the loan account see the Statistical Appendix.

[In millions of dollars]

Agency	1969	1970	Increase or (−) decrease
Funds appropriated to the President	4,967	4,774	−193
Agriculture Department	8,330	8,307	−24
Defense Department	r 79,137	78,360	−777
Health, Education, and Welfare Department	r 46,594	52,338	5,743
Housing and Urban Development Department	1,529	2,603	1,074
Labor Department	3,475	4,356	881
Transportation Department	5,970	6,417	448
Department of the Treasury	16,924	19,509	2,585
Atomic Energy Commission	2,450	2,453	3
National Aeronautics and Space Administration	4,247	3,749	−498
Veterans Administration	7,669	8,653	983
Other	r 8,374	11,449	3,075
Undistributed intrabudgetary transactions	−5,117	−6,380	−1,263
Total outlays	r 184,548	196,588	12,040

r Revised.

Cash and Monetary Assets

On June 30, 1970, cash and monetary assets directly related to the budget amounted to $15,077 million, an increase of $1,570 million over fiscal 1969. The balance consisted of $9,291 million in the general account of the Treasurer of the United States (this balance was $1,746 million more than June 30, 1969, and included $275 million net transactions in transit as of June 30); $3,374 million with other Government officers ($978 million less than 1969); and $2,412 million with the International Monetary Fund ($802 million more than 1969). For a discussion of the assets and liabilities of the Treasurer's account see page 107. The transactions affecting the account in fiscal 1970 follow:

Transactions affecting the account of the Treasurer of the United States, fiscal 1970

[In millions of dollars]

Balance June 30, 1969			7,544
Less: In transit at June 30, 1969			441
Excess of deposits, or withdrawals (−), budget, trust, and other accounts:			
Deposits		209,924	
Withdrawals (−)		223,648	
			−13,723
Excess of deposits, or withdrawals (−), public debt accounts:			
Increase in gross public debt		17,198	
Deduct:			
Excess of Government agencies' investments in public debt issues	11,358		
Accruals on savings and retirement plan bonds and Treasury bills (included in increase in gross public debt above)	7,688		
Less certain public debt redemptions (included above in withdrawals, budget, trust, and other accounts)	6,530		
Net deductions		12,516	4,682
Excess of sales of Government agencies' securities in the market			9,397
Net transactions in clearing accounts (documents not received or classified by the Office of the Treasurer)			1,556
Net transactions in transit			275
Balance June 30, 1970			9,291

Corporations and Other Business-Type Activities of the Federal Government

The business-type programs which Government corporations and agencies administer are financed by various means: Appropriations, sales of capital stock, borrowings from either the U.S. Treasury or the public, or by revenues derived from their own operations.

Corporations or agencies having legislative authority to borrow from the Treasury issue their formal securities to the Secretary of the Treasury. Amounts borrowed are reported in the periodic financial statements of the Government corporations and agencies as part of the Government's net investment in the enterprise. In fiscal 1970, borrowings from the Treasury, exclusive of refinancing transactions, totaled $12,451 million, repayments were $9,955 million, and outstanding loans on June 30, 1970, totaled $30,660 million.

Those agencies having legislative authority to borrow from the public must either consult with the Secretary of the Treasury regarding the proposed offering, or have the terms of the securities to be offered approved by the Secretary.

During fiscal 1970, Congress granted new authority to borrow from the Treasury in the total amount of $6,243 million, and reduced existing authority by $221 million, resulting in a net increase of $6,022 million. The status of borrowing authority and the amount of corporation and agency securities outstanding as of June 30, 1970, are shown in the Statistical Appendix.

Unless otherwise specifically fixed by law, the Treasury determines interest rates on its loans to agencies by considering the Government's cost for its borrowings in the current market, as reflected by prevailing market yields on Government securities which have maturities comparable with the Treasury loans to the agencies. A description of the Federal agencies' securities held by the Treasury on June 30, 1970, is shown in the Statistical Appendix.

During fiscal 1970, the Treasury received from agencies a total of $1,047 million in interest, dividends, and similar payments. (See the Statistical Appendix.)

Quarterly statements of financial condition, income and expense, and source and application of funds are submitted to the Treasury by Government corporations and agencies. Annual statements of commitments and contingencies are also submitted. These statements serve as the basis for the combined financial statements compiled by the Treasury which, together with the individual statements, are published periodically in the Treasury Bulletin. Summary statements of the financial condition of Government corporations and other business-type activities, as of June 30, 1970, are shown in the Statistical Appendix.

Government-wide Financial Management

New budget concepts.—During the year Treasury staff participated in joint efforts with the Bureau of the Budget and the General Accounting Office to implement the President's February 1969 decision to convert the fiscal 1972 budget and related Treasury reports to the accrual basis.

On February 25, 1970, Secretary Kennedy, Budget Director Mayo, and Comptroller General Staats met to assess the pilot operation of agency reporting and the Treasury compilation of unpublished accrual data. They concluded that the President's budget should be converted to the accrual basis according to the planned timing.

Three problem areas were recognized, however, as precluding conversion to a full accrual basis immediately. These areas are (1) the accrual of corporate taxes, (2) performance under grants-in-aid, and (3) constructive delivery in the case of procurement to the Government's special order. These areas all require reliance on source data from outside the Government for either current reports or for validation of statistical estimates.

The decision to convert the fiscal 1972 budget to a modified accrual basis was announced by the Budget Director on April 13 in a letter to the head of each department and agency. The announcement stated that budget revenues (governmental receipts), and certain grant-in-aid expenditures would remain on a cash basis. Also, where accrual

data for constructive delivery on procurement of made-to-order items are not available, or only partially available, the expenditures for such items will not be on the full accrual basis, but will reflect as much of the accruals as is practicable.

So that agencies could concentrate on improving their accrual accounting systems, the central agencies deferred efforts to identify subsidies involved in Federal direct loan programs in the expenditure account of the budget, as was also recommended by the President's Commission on Budget Concepts.

Special drawing rights.—In January 1970, the International Monetary Fund made its first allocation of special drawing rights. The creation of a new monetary reserve required the development of appropriate accounting and reporting systems to control and fully disclose the U.S. position in this new asset. Systems development involved the accounting and reporting systems of the Exchange Stabilization Fund, Treasury central accounts and the Federal Reserve banks. The United States SDR position is disclosed in the Monthly Statement of Receipts and Expenditures, Treasury Bulletin, Combined Statement, and this report.

Joint financial management improvement program.—On August 12, 1969, President Nixon issued a memorandum to the heads of departments and agencies giving his full support to the joint program and emphasizing the use of financial management as a tool to achieve better general management.[1] With this important prologue and with impetus provided by Secretary Kennedy, Budget Director Mayo, Civil Service Chairman Hampton and Comptroller General Staats, the steering committee continued to expand its efforts under the chairmanship of the Treasury representative during fiscal 1970. A permanent executive secretary was hired by the steering committee to assist in the administration of the program and an agency JFMIP liaison group was reactivated.

Bureau of Accounts' staff continued to represent Treasury on the steering committee and interagency study teams. Studies were completed involving (1) civil agency passenger and freight transportation services and (2) the financial administration of grant-in-aid programs. A series of grant-in-aid followup projects have been initiated and a State-Federal Financial Management Conference is being planned for October 1970. Also underway are projects to (1) simplify intragovernment billing and collection procedures, (2) simplify legal and regulatory requirements for civilian payrolling, and (3) convert existing manual payroll systems to existing computer systems.

[1] See exhibit 60.

Federal Revenue Sharing

A significant development during fiscal 1970 was the announcement of the administration's proposal to inaugurate a program of Federal revenue sharing with State and local governments. Treasury officials played a major role in the formulation of this financial initiative, working closely with State and local representatives. On September 25, 1969, Secretary Kennedy transmitted to the Congress a draft bill embodying the substance of the administration's proposal.[1]

In his revenue sharing message to the Congress,[2] President Nixon described the significance of the measure:

"This proposal marks a turning point in Federal-State relations, the beginning of decentralization of governmental power, the restoration of a rightful balance between the State capitals and the national capital."

In addition, he outlined the major features of the administration's plan, which were later set forth more explicitly in the bill. There are four key provisions in the proposal.

First, the size of the fund to be shared will be a stated percentage of personal taxable income—the base on which Federal individual income taxes are levied. Thus, annual appropriations for revenue sharing will rise automatically with general economic growth. During the next few years, due to budgetary pressure and the need for an orderly phase-in, the size of the fund will be modest, based on a small but growing percentage. However, by the fiscal year 1976, a permanent 1 percent of taxable income, representing about $5 billion, will be appropriated for revenue sharing.

Second, the distribution of funds among States will be made on the basis of each State's share of national population, with a small adjustment for the State's revenue effort (defined as the ratio of revenues to income). Thus, a State which taxes the income of its citizens more than the national average will receive a proportional bonus over and above its basic per capita share.

Third, every general purpose local government—city, county, or town—will participate directly in revenue sharing. The distribution of funds within a State between the State government and the localities will be based on a formula whereby each unit of general local government within a State will be assured a share that is proportionate to its own revenue collections.

Fourth, there will be no program or project restrictions placed on the use of revenue sharing funds. Each State, county, city, or

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[1] See S. 2948, introduced in the Congress on Sept. 23, 1969, and referred to the Committee on Finance; or H.R. 13982, introduced in the Congress on Sept. 24, 1969, and referred to the Committee on Ways and Means.

[2] See exhibit 26.

town will look to its own needs, rely on its own judgment, and allocate the funds as it deems best. Federal requirements will consist primarily of simple reporting and accounting rules.

Federal Debt Management

The basic functions of Federal debt management are to provide funds needed to meet Federal expenditures and to refund maturing debt obligations. These objectives should be pursued in a manner that contributes to noninflationary growth in the domestic economy and to a balanced position in our international accounts. A number of secondary but important objectives are: To achieve a well-balanced debt structure, to provide debt instruments meeting the needs of an orderly securities market, to coordinate the growing volume of obligations issued by Federal and federally sponsored agencies with Treasury debt management policy, and to minimize the costs of Federal borrowing.

The persistent inflationary pressures operating in the economy showed no signs of diminishing when fiscal 1970 began. Financial markets had been under heavy pressure for over 6 months. The combination of strong credit demands, restrictive monetary policy, and a lower saving rate had boosted interest rates higher; and businessmen, consumers, and State and local governments were bidding aggressively for available credit.

Treasury requirements in the fiscal year included refunding $35.6 billion of maturing coupon securities of which $21.4 billion were privately held, providing for seasonal needs and financing the $2.8 billion budget deficit. The major portion of the new money needed for these purposes was raised in the short term bill area with the issuance of $14.5 billion of tax anticipation bills and the net addition of $6.0 billion to the outstanding regular bills. The only cash raised outside of the bill area was $2.2 billion, in connection with the 18-month 7¾-percent note in the May refinancing.

Compared with recent years the volume of maturing Treasury debt in private hands was normal, the budget deficit was moderate, and the Federal agency debt actually declined by $1.7 billion. The really large new factor was the requirement of the federally sponsored agencies who increased their debt outstanding by $10.8 billion during the fiscal year. A major portion of this increase was attributable to the housing market support furnished by the Federal National Mortgage Association and the Federal Home Loan Banks.

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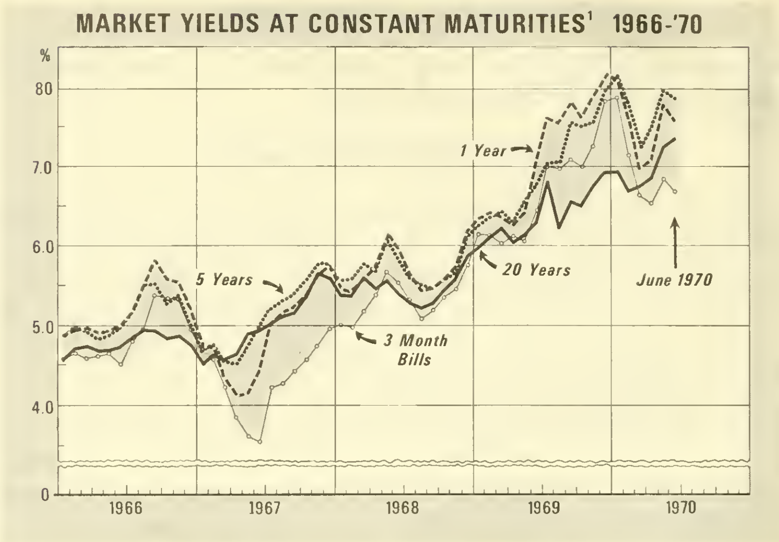

CHART 3

During the year the Treasury used the extended note authority in three of the quarterly financings for a total issuance of $6.9 billion in the 6- and 7-year maturity areas. The weight of the shorter issues, passage of time and the volume of regular bill financing were overwhelming, however, and the maturity structure of the marketable debt was further eroded. The privately held marketable debt in the under 1 year area increased from $69.3 billion to $76.4 billion and the average length of the total privately held marketable debt declined by 6 months to 3 years 8 months on June 30, 1970.

CHANGES IN FEDERAL SECURITIES

By type

Federal securities include Treasury public debt issues and the securities of those agencies that have an element of Federal ownership and are included in the Federal budget concept. In fiscal 1970, the principle securities included among Federal agency issues were the guaranteed issues of the Federal Housing Administration, the debt issues of the Export-Import Bank and the Tennessee Valley Authority, the participation certificates of the Government National Mortgage Association, the Commodity Credit Corp. certificates of interest, and the Defense family housing mortgages. On June 30, 1970, total Federal debt outstanding was $383.4 billion, an increase of $15.5 billion from June 30, 1969.

Over the fiscal year Treasury public debt increased $17.2 billion to a June 30, 1970, level of $370.9 billion. Within this total, marketable

issues increased $6.5 billion, special issues to trust funds rose $9.5 billion, nonmarketable public issues increased $1.3 billion while matured debt and debt bearing no interest declined $0.1 billion.

Excluding the periodic refinancing of outstanding bills but including yearend to yearend additions to the regular weekly and monthly bills, the Treasury issued $55.3 billion and redeemed $48.8 billion of marketable debt during the fiscal year.

Class of debt	June 30, 1969	June 30, 1970	Increase, or decrease (−)
	In billions of dollars		
Public debt securities:			
Marketable public issues by maturity class:			
Within 1 year	103.9	105.5	+1.6
1–5 years	62.8	89.6	+26.8
5–20 years	43.2	26.4	−16.8
Over 20 years	16.2	11.0	−5.2
Total marketable issues	226.1	232.6	+6.5
Nonmarketable public issues:			
Series E and H savings bonds	51.7	51.3	−.4
U.S. savings notes	.5	.7	+.2
Investment series bonds	2.5	2.4	−.1
Foreign series securities	1.7	3.4	+1.7
Foreign currency securities	2.4	1.4	−1.0
Other nonmarketable debt	.1	.9	+.9
Total nonmarketable public issues	58.8	60.1	+1.3
Special issues to Government accounts (nonmarketable)	66.8	76.3	+9.5
Noninterest-bearing debt	2.0	1.9	−.1
Total gross public debt	353.7	370.9	+17.2

In the nonmarketable sector of the public debt, special issues to the Government trust funds increased by $9.5 billion with the Federal old age and survivors trust fund accounting for $4.0 billion of the increase. The total of special securities issued to foreign official accounts increased by $1.5 billion although the Foreign Currency issues had a net decline of $1.0 billion. U.S. savings bonds and savings notes had a net decline of $0.2 billion in outstanding issues during the year.

At the beginning of fiscal 1970 the $1.6 billion of Commodity Credit Corp. certificates of interest were added to Federal agency securities by means of a reclassification from budget transactions. All of the certificates were redeemed during the course of the year. Other major changes in Federal agency securities during the fiscal year were a $1.3 billion decline in the participation certificates of the Government National Mortgage Association, a $0.6 billion decline in the outstanding securities of the Export-Import Bank and a $0.3 billion increase in the outstanding securities of the Tennessee Valley Authority. The Federal agency debt outstanding at the end of the fiscal year was $12.5 billion down $1.7 billion from the end of fiscal 1969.

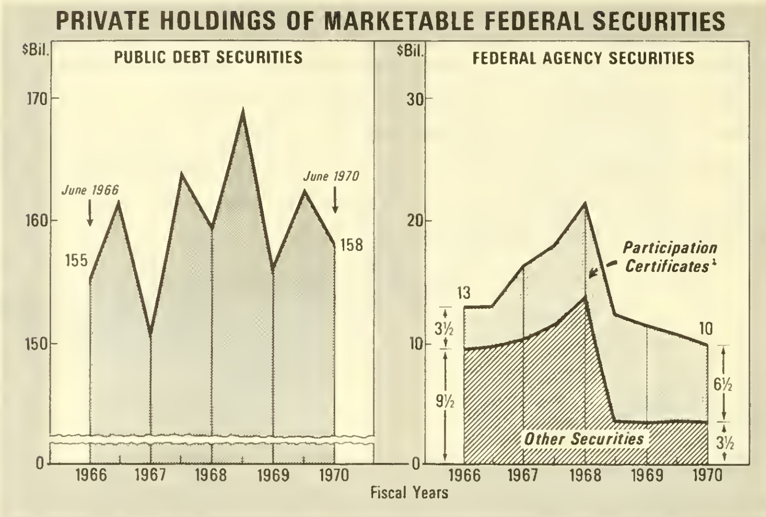

CHART 4

Ownership

The $383.4 billion Federal securities outstanding at the end of fiscal 1970 consisted of $370.9 billion public debt issues and $12.5 billion Federal agency issues.

Ownership of public debt securites on selected dates 1960–70

[Dollar amounts in billions]

	June 30, 1960	June 30, 1968	June 30, 1969	June 30, 1970	Change during fiscal year 1970
Estimated ownership by:					
Private nonbank investors:					
Individuals:[1]					
Series E and H savings bonds	$42.5	$51.1	$51.2	$50.8	−$0.4
U.S. savings notes [2]		.2	.5	.7	.2
Other securities	27.2	23.5	26.2	31.0	4.8
Total individuals	69.7	74.8	77.9	82.5	4.6
Insurance companies	12.0	8.1	7.7	6.8	−.9
Mutual savings banks	6.6	3.9	3.3	2.9	−.4
Savings and loan associations	4.6	9.8	9.5	8.5	−1.0
State and local governments	18.8	24.6	25.2	24.6	−.6
Foreign and international	12.3	12.9	11.1	14.8	3.8
Corporations	19.5	13.0	12.6	11.1	−1.5
Miscellaneous investors [3]	8.0	12.4	12.4	13.6	1.2
Total private nonbank investors	151.4	159.5	159.5	164.7	5.2
Commercial banks	55.3	59.7	55.3	53.3	−2.0
Federal Reserve banks	26.5	52.2	54.1	57.7	3.6
Government accounts	53.1	76.1	84.8	95.2	10.4
Total gross debt outstanding	286.3	347.6	353.7	370.9	17.2
	Percent				
Percent owned by:					
Individuals	24	22	22	22	
Other private nonbank investors	29	24	23	22	
Commercial banks	19	17	16	14	
Federal Reserve banks	9	15	15	16	
Government accounts	19	22	24	26	
Total gross debt outstanding	100	100	100	100	

[1] Including partnerships and personal trust accounts.
[2] U.S. savings notes first offered in May 1967.
[3] Includes nonprofit institutions, corporate pension trust funds, nonbank Government security dealers, and Federal oriented agencies not included in Government accounts.

A little over 40 percent of the total or $155.4 billion was held by Government accounts and Federal Reserve banks. Commercial banks held nearly 15 percent or $55.5 billion and 45 percent or $172.5 billion was in the hands of private nonbank investors. Estimated levels of ownership and changes during the fiscal year for the major investor groups are as follows:

Individuals.—Public debt securities held by individuals increased $4.6 billion in fiscal 1970 to $82.5 billion. This was nearly one and one-half times the increase in fiscal 1969. Holdings of marketable securities rose $4.8 billion and U.S. savings notes rose $0.2 billion, while E and H savings bonds fell $0.4 billion. Individuals' holdings of Federal agency issues increased $0.2 billion to a level of $1.4 billion.

Insurance companies.—Insurance companies reduced their holdings of public debt securities $0.9 billion in fiscal 1970. Life insurance companies' holdings fell by $0.2 billion to a new postwar low of $3.6 billion. Fire, casualty, and marine companies liquidated $0.7 billion which reduced their holdings to $3.2 billion. A good proportion of life company holdings is still in long term issues. The average length of their holdings of marketables was down 14 months from fiscal 1969 to 16 years and 2 months on June 30, 1970.

The average length of marketable public debt issues held by fire, casualty, and marine companies fell 4 months to a level of 5 years 11 months at the end of fiscal 1970. Insurance companies' holdings of Federal agency securities declined modestly to a level of $0.8 billion.

Mutual savings banks.—Holdings of public debt securities by mutual savings banks declined $0.4 billion to a level of $2.9 billion while the average maturity of their marketable debt fell 1 month to 8 years and 5 months. Federal agency issues held by mutuals declined $0.3 billion and on June 30, mutual savings banks held $0.5 billion of Federal agency issues.

Nonfinancial corporations.—Corporations faced with heavy capital demands and experiencing increasing difficulty in raising funds at the banks and in the markets again reduced their holdings of public debt securities, reaching the low levels of 1967. Short term securities continued to dominate their portfolios and at the end of fiscal 1970 the $11.1 billion of corporate holdings had an average length of 18 months. Estimated holdings of Federal agency issues by corporations was down $0.1 billion to a level of $0.4 billion.

Commercial banks.—In the second year of record credit demands commercial banks again disposed of public debt securities. The decline of $2.0 billion was less than half the decline of the previous year but it brought commercial bank holdings to a postwar low of $53.3 billion. Most of the decline, $1.9 billion, came in the portfolios of the smaller country banks. At the same time the average life of the remain-

ing holdings was shortened to 2 years 8 months from 3 years at the end of fiscal 1969. Commercial bank holdings of Federal agency issues were also reduced during the year from $3.0 billion to $2.2 billion.

Savings and loan associations.—Experiencing declines in savings, capital growth, and heavy increases in borrowing from the Home Loan Banks, savings and loan associations reduced their public debt holdings for the second consecutive year. The 1970 reduction of $1.0 billion, more than triple the 1969 decline, reduced their holdings to $8.5 billion at the end of the year. The average length of their holdings was maintained at 5 years 11 months. Their holdings of Federal agency issues declined by $0.1 billion to a level of $0.3 billion at the end of the year.

State and local governments.—State and local governments reduced their holdings of public debt securities $0.6 billion in fiscal 1970. Pension funds liquidated nearly $0.5 billion and general funds dropped $0.1 billion reducing their holdings to levels of $5.2 billion and $19.4 billion, respectively. Pension funds have about 75 percent of their holdings of public debt issues in long term issues and the average maturity of their marketable holdings was 16 years 4 months compared to 17 years 10 months a year ago. By contrast State and municipal general funds remain invested in relatively short maturities, and the average maturity of their marketable holdings was 3 years 3 months on June 30, 1970, down 5 months from the previous yearend. State and local governments held $3.8 billion Federal agency issues at the end of fiscal 1970 which was slightly less than holdings of a year earlier.

Foreign and international.—Foreign and international agencies' investments in public debt securities increased $3.8 billion in fiscal 1970 to a level of $14.8 billion—09.3 billion of marketable and $5.5 billion of nonmarketable issues. Holdings of marketable public debt issues rose $2.4 billion and special nonmarketable securities issued directly to foreign monetary authorities increased $1.5 billion. Major changes by countries in fiscal 1970 were additions of $2.0 billion by Germany and $1.1 billion by Canada while Great Britain liquidated $0.2 billion. Foreign and international holdings of Federal agency issues increased about $0.1 billion in fiscal 1970.

Other private nonbank investors.—Holdings of public debt securities by these investors increased $1.2 billion to $13.6 billion on June 30, 1970. The largest changes were $1.0 billion increase in the holdings of Federal Home Loan banks and a decline of $0.3 billion in the holdings of miscellaneous investors. Holdings of Federal agency issues fell by $0.4 billion.

Federal Reserve System.—The Federal Reserve System acquired $3.6 billion of public debt issues in fiscal 1970 or nearly twice the acquisi-

tion of a year earlier. Holdings of Treasury bills increased $2.9 billion and coupon securities rose $0.7 billion. The average length of the System's holdings declined 1 month to 2 years 3 months by the end of the fiscal year. On June 30, 1970, the System open market account held $57.7 billion of public debt issues.

Government accounts.—Public debt securities held by Government accounts increased $10.4 billion as these accounts absorbed about 60 percent of the $17.2 billion increase in public debt. Major increases were $4.0 billion in the accounts of the Federal old age and survivors insurance trust fund, $1.8 billion in the civil service retirement funds, $1.4 billion in the Federal disability insurance trust fund, and $1.1 billion in the highway trust fund. Holdings at the end of fiscal 1970 reached $95.2 billion. Federal agency issues (primarily participation certificates) held by Government accounts declined $0.3 billion to a level of $2.6 billion.

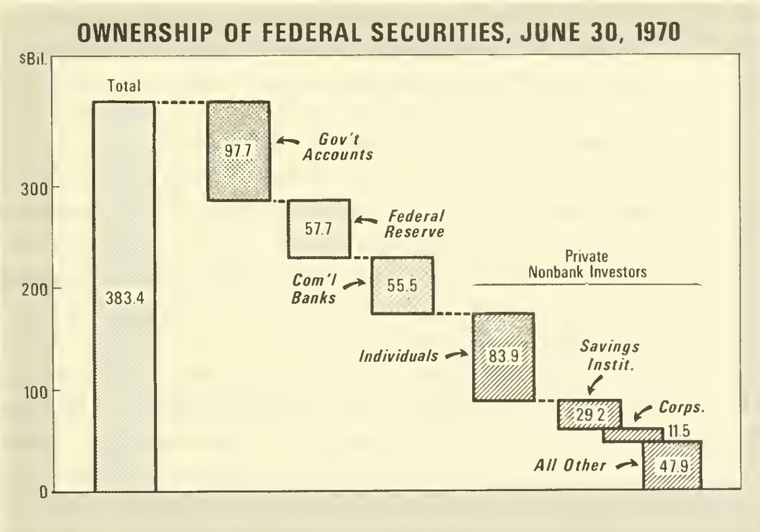

CHART 5

FINANCING OPERATIONS

The first cash financing in fiscal 1970 was an offering of $3.5 billion tax anticipation bills evenly divided between the December 22, 1969, and March 23, 1970, maturities. The offering was announced on July 2 with separate auction dates of July 9 for the December maturity and July 11 for the March maturity. Delivery date for both issues was set for July 18. Commercial banks were allowed to make payment by crediting Treasury tax and loan accounts and the usual provision for

acceptance at face value in payment of taxes on the 15th day of the maturity month was included. The auctions resulted in average rates of 6.78 percent for the December maturity and 7.20 percent for the March maturity.

Following the tax bill, auction prices in the Government market generally drifted downward as the time for the quarterly refunding approached and concern developed over the possible additional supply of notes. For the August refunding the Treasury chose a single short offering with preemptive rights to the holders of the \$3.4 billion maturing 6 percent note. The offering announced on July 30 provided for a 7¾-percent 18-month note due February 15, 1971, priced at \$99.90 to yield about 7.82 percent. Market reception of the announcement was reflected by immediate price gains on outstanding issues and in an atmosphere aided by the congressional extension of the 10 percent surcharge, a substantial portion of the maturing issue was refunded. Private investors exchanged \$2.8 billion or 87.3 percent of their \$3.2 billion holdings of the maturing 6 percent notes.

Following the August financing the Treasury returned to the short-bill market to raise cash. Bill rates had declined during the early part of the month and there were definite indications of heavy investor demand for short term bills. On August 14 it was announced that a strip of bills consisting of the addition of \$300 million to each of the seven outstanding issues maturing from September 18 to October 30 would be auctioned on August 20 for delivery August 25. Subscribers were required to bid for equal amounts of each of the bills reopened. Commercial banks were permitted to pay for their purchases by crediting Treasury tax and loan accounts.

With the exception of a couple of short-lived rallies in early September, interest rates in all sectors moved steadily higher as the Treasury approached its second quarterly financing. The schedule of maturing securities in the second quarter of the fiscal year was unusual in its timing. The typical November 15 date was free but it was surrounded by a \$6.2 billion maturity of 4 percent bonds and a \$0.2 billion maturity of 1½ percent exchange notes on October 1 and a \$2.5 billion maturity of 2½ percent bonds on December 15.

On September 17 the Treasury offered the holders of the October and December maturities a choice of three new issues. The long option in the offering was a 7½-percent 6 year 10½ month note priced at \$99.50 to yield 7.59 percent, the middle issue was a 7¾-percent 3 year 7½ month note at par, and the anchor was an 8 percent 1 year 7½ month note at par. The maturing October issues were to be exchanged at maturity value and the December issues were to be adjusted for market price and accrued interest.

Following the announcement, rates in the Government market continued to climb with bill rates equaling the high levels of July and August and coupon rates breaking through to new peaks.

In spite of the climb in rates the public gave the new issues a good reception exchanging $4.5 billion of their $5.4 billion holdings of the October maturities and $1.3 of their $1.9 billion December holdings. The attrition rate of 20 percent on the privately held portion was within the range of Treasury expectations.

Intermediate and long term Treasuries declined sharply during the first 3 weeks of October and most areas of the bill market were modestly improved. During this period, the Treasury turned to the tax anticipation bills twice for a total of $5.0 billion of cash financing. An announcement was made on October 2 for $2.0 billion of April 1970 tax bills which were auctioned on October 8 at an average rate of 7.28 percent. On October 23, $3.0 billion of June 1970 tax bills were auctioned at an average rate of 7.20 percent. Commercial banks were allowed to credit their tax and loan accounts for 50 percent of their purchases of the April tax bills and for 100 percent of their purchases of the June tax bills. As is typical in cash financings having tax and loan credit, banks were the dominant force in the auction. As was the case in several of the prior bond rallies, investor support and substantive evidence of a decline in inflationary pressures was not forthcoming. On the basis of October releases on the state of the economy and further setbacks in efforts toward a Vietnam cease-fire there was a reversal in market sentiment and rates in all sectors renewed their upward spiral.

Beginning with the auction of November 3 the Treasury announced that "for the time being" it would raise $100 million of new money in each of the weekly auctions to satisfy a portion of the seasonal financing requirements. This cycle of bill additions was carried through a full 13 weeks to the auction of January 26 raising $1.3 billion of new money.

The final cash operation for the first half of the fiscal year was an addition of $1.0 billion to the outstanding April 1970 tax bills and $1.5 billion to the June 1970 tax bills. The auction for both issues was held on November 21 and resulted in average rates of 7.81 percent and 7.98 percent. Full tax and loan credit was allowed for commercial bank purchases on both issues.

During this period from early November to the end of the calendar year the pressures of monetary restraint and credit demands continued to exert their upward influence on all market rates and pushed Government rates to recent historic peaks at the end of December. A heavy volume of agency and corporate new issues strained the intermediate

and long term markets and foreign government selling of bills contributed to the pressure that the Treasury financing was applying to short term markets. On December 29, 3-, 6-, and 9-month bill rates in the market exceeded 8 percent, the 1-year coupon rate reached 8.40 percent and the 3- and 7-year rates were 8.51 and 7.77 percent, respectively.

With the exception of some intermediate issues January brought an easing to the security markets. In the Treasury bill market, small investor interest which had been growing throughout the year intensified and the noncompetitive awards accounted for nearly $1 billion or a third of each of the first three weekly auctions. This extraordinary volume greatly increased the administrative costs of the Treasury, overtaxed market facilities and contributed to the diversion of the flow of savings from the housing market. In a move to provide relief, on February 25 the Treasury changed the minimum denomination for Treasury bills from $1,000 to $10,000.

Attention in the last half of January centered on the coming quarterly financing with considerable speculation that in the slightly improved atmosphere the Treasury would refund the March 15 maturity and would go to the limit of its 7-year note authority in choosing a maturity. In the refunding announcement on January 28 the Treasury offered holders of the 4 percent bonds of February 15, 1970, and the 2½ percent bonds of March 15, 1970, the right to exchange their holdings for an 18-month 8¼ percent note, a 3½-year 8⅛-percent note or a 7-year 8-percent note at par. The total of the maturing issues was $6.7 billion. Private investors held about $3.9 billion of the February bonds and $1.6 billion of the March bonds. Initial market reaction to the terms of the financing was good and the rate of attrition on the maturing issues was below expectations. During the 3-day exchange period beginning on February 2 private investors exchanged $4.9 billion of their holdings for new securities. The cash attrition from private investors was $0.7 billion or 13 percent of their holdings.

Following fairly close to the quarterly financing the Treasury again returned to the bill market for additional cash financing. The February 13 announcement provided for the addition of $100 million to the weekly auctions of 6-month bills and $200 million to the monthly auctions of 1-year bills. Also announced was the addition of $1¾ billion to the outstanding April tax anticipation bills. Although the number of additions to the weekly and monthly cycles were not announced, the weekly increases were carried past the end of the fiscal year raising $1.8 billion during the fiscal year, and the increase in monthly bills in the months of February through May resulted in $0.8 billion of new money. Commercial banks were allowed full tax

and loan credit in the tax bill sale and the bidding in the February 25 auction resulted in an average rate of 6.55 percent.

The market atmosphere surrounding the February cash financing was the most encouraging of the fiscal year. Prices in the money and bond markets had rallied strongly through the month and generally reached their lowest levels since October of 1969. There were strong convictions that economic activity was slowing and interest rates would continue to decline.

The improved atmosphere began to fade in mid-March under an increasingly heavy supply of new corporate and agency financings but the mood was temporarily sustained by a series of events. The market interpreted a statement by Chairman Burns before the Senate Banking and Currency Committee as indicating that the System had relaxed monetary restraint, the Treasury turned to the bill market rather than the note market for its pre-tax date cash needs and on March 25 a reduction of one-half percent in the prime rate began at major banks.

The Treasury cash offering was for $1¾ billion of tax bills to mature in the rarely used September tax period. Tax and loan credit was again available to the commercial banks and the March 19 auction resulted in an average rate of 6.18 percent.

Bond market prices drifted lower in the early part of April as the supply of new corporate and agency securities continued to grow. After midmonth several factors contributed to the further rapid erosion of prices. Indicators failed to show the expected slowing in the economy, the American Telephone & Telegraph Co., added a $1.6 billion offering to the corporate finance calendar, and security dealers were in the process of working off heavy inventories that had accumulated in expectation of price increases. In this atmosphere the coming Treasury refunding became the principal object of concern to the market in the final days of April.

For the May refunding the Treasury chose a combination exchange-cash operation designed to eliminate the cash loss from attrition and at the same time raise the remainder of the cash needs for the fiscal year.

In the exchange the 7¾-percent notes of May 1973 and the 8-percent notes of February 1977 were reopened to the holders of the $16.6 billion maturing 5⅝-percent note and 6⅜-percent note. The cash offering to the public was $3.5 billion of a new 7¾-percent 18-month note priced at $99.95 to yield approximately 7.79 percent. The subscription books were open for 3 days, May 4 through May 6 in the exchange offering and for 1 day, May 5, in the cash offering.

Offerings of marketable Treasury securities excluding refunding of regular bills, fiscal year 1970

[In millions of dollars]

Date	Description	Cash offerings: For new money	Cash offerings: For refunding	Exchange offerings: For maturing issues	Exchange offerings: In advance refunding	Total
1969	NOTES					
Apr. 1	1½% exchange note, Apr. 1, 1974 [1]			[2] 28		28
Aug. 15	7¾% note, Feb. 15, 1971			2,924		2,924
Oct. 1	8% note, May 15, 1971 [3]			4,176		4,176
Oct. 1	7¾% note, May 15, 1973			[3] 1,160		1,160
Oct. 1	7½% note, Aug. 15, 1976			[3] 1,683		1,683
Oct. 1	1½% exchange note, Oct. 1, 1974 [1]			42		42
1970						
Feb. 15	8¼% note, Aug. 15, 1971			[4] 2,255		2,255
Feb. 15	8⅛% note, Aug. 15, 1973			[4] 1,846		1,846
Feb. 15	8% note, Feb. 15, 1977 [4]			1,856		1,856
Apr. 1	1½% exchange note, Apr. 1, 1975 [1]			2		2
May 15	7¾% note, May 15, 1973, additional			4,682		4,682
May 15	8% note, Feb. 15, 1977, additional			3,313		3,313
May 15	7¾% note, Nov. 15, 1971 [5]	2,181	8,562			10,743
	Total notes	2,181	8,562	23,967		34,710
	BILLS (MATURITY VALUE)					
	Increase in offerings of regular bills:					
1969	July–September	2,121				2,121
	October–December	800				800
1970	January–March	1,400				1,400
	April–June	1,700				1,700
	Other et increases in regular bills	18				18
1969	Tax anticipation bill offerings:					
July 18	6.775% 157-day, maturing Dec. 22, 1969	1,763				1,763
July 18	7.202% 248-day, maturing Mar. 23, 1970	1,752				1,752
Oct. 14	7.284% 190-day, maturing Apr. 22, 1970	2,007				2,007
Oct. 29	7.204% 236-day, maturing June 22, 1970	3,004				3,004
Nov. 26	7.814% 147-day, maturing Apr. 22, 1970, additional.	1,007				1,007
Nov. 26	7.975% 208-day, maturing June 22, 1970, additional.	1,504				1,504
1970						
Mar. 3	6.549% 50-day, maturing Apr. 22, 1970, additional.	1,753				1,753
Mar. 26	6.177% 150-day, maturing Sept. 22, 1970	1,758				1,758
	Total tax anticipation bill offerings	14,548				14,548
	Total offerings	22,768	8,562	23,967		55,297

[1] Issued on demand in exchange for 2¾ percent Treasury bonds, Investment Series B-1975-80.
[2] Issued subsequent to June 30, 1969.
[3] The 2½ percent December 1964-69 bonds included in the October 1969 refunding.
[4] The 2½ percent March 1965-70 bonds included in the February 1970 refunding.
[5] The cash offering of the 7¾ percent note of November 1972 was part of the May refunding. See footnote 3 of the Disposition table.

The financing which had been undertaken in an unsettled securities market was further complicated when on April 30, the day following the announcement, the President reported the movement of American troops into Cambodia. In the cash offering the public subscriptions totaled $3.7 billion, only $200 million more than the amount offered by the Treasury and for the first time in recent history subscriptions were allotted in full.

The exchange part of the financing was more successful with the proportion of maturing notes redeemed for cash considerably smaller

than had been anticipated. Of the $5.0 billion of maturing issues held by private investors $2.3 billion was exchanged for the 3-year 7¾-percent note and $1.2 billion was exchanged for the longer 8-percent note. The Federal Reserve System and Government accounts held $11.6 billion of the maturing issues. They exchanged $7.0 billion for the short cash offering, $2.4 billion for the intermediate note and $2.1 billion for the long note. The net new cash raised in the May refunding was $2.2 billion.

The accompanying tables summarize the Treasury's major financing operations during the fiscal year. Data on allotments by investor classes will be found in the Statistical Appendix.

The exhibits on public debt operations provide further information on public offerings and allotments by issues in tables and representative circulars.

Disposition of marketable Treasury securities excluding regular bills, fiscal year 1970

[In millions of dollars]

Date of refunding or retirement	Securities: Description and maturing date	Securities: Issue date	Redeemed for cash or carried to matured debt	Exchanged for new issue: At maturity	Exchanged for new issue: In advance refunding	Total
1969	BONDS AND NOTES					
Aug. 15	6% note, Aug. 15, 1969	May 15, 1968	442	2,924		3,366
Oct. 1	1½% exchange note, Oct. 1, 1969	Oct. 1, 1964	93	66		159
Oct. 1	4% bond, Oct. 1, 1969	Oct. 1, 1957	1,097	5,143		6,240
Oct. 1	2½% bond, Dec. 15, 1969	Sept. 15, 1943		[1] 1,811		1,811
Dec. 15	2½% bond, Dec. 15, 1969	Sept. 15, 1943	673			673
1970						
Feb. 15	4% bond, Feb. 15, 1970	Jan. 15, 1965	406	3,975		4,381
Feb. 15	2½% bond, Mar. 15, 1970	Feb. 1, 1944		[2] 1,980		1,980
Mar. 15	2½% bond, Mar. 15, 1970	Feb. 1, 1944	300			300
Apr. 1	1½% exchange note, Apr. 1, 1970	Apr. 1, 1965	88			88
May 15	5⅝% note, May 15, 1970	Nov. 15, 1968	748	[3] 7,045		7,793
May 15	6⅜% note, May 15, 1970	Feb. 15, 1969	815	[3] 7,949		8,764
	Retirements of unmatured debt for estate taxes, etc		460			460
	Total coupon securities		5,122	30,893		36,015
1969	TAX ANTICIPATION BILLS [4]					
Dec. 22	6.775% (tax anticipation)	July 18, 1969	1,763			1,763
1970						
Mar. 23	7.202% (tax anticipation)	July 18, 1969	1,752			1,752
Apr. 22	7.284% (tax anticipation)	Oct. 14, 1969	2,007			2,007
Apr. 22	7.814% (tax anticipation)	Nov. 26, 1969	1,007			1,007
Apr. 22	6.549% (tax anticipation)	Mar. 3, 1970	1,753			1,753
June 22	7.204% (tax anticipation)	Oct. 29, 1969	3,004			3,004
June 22	7.975% (tax anticipation)	Nov. 26, 1969	1,504			1,504
	Total bills		12,790			12,790
	Total securities		17,912	30,893		48,805

[1] Included in October 1969 refunding.
[2] Included in February 1970 refunding.
[3] In the May financing private holders of maturing issues were not given preemptive rights to exchange for the 7¾-percent note of November 1971, but could present them in payment or exchange, in lieu of cash for allotments of the new issue. Federal Reserve and Government account exchanges are included.
[4] Including tax anticipation issues redeemed for taxes in the amounts of $464 million in December 1969, $425 million in March 1970, $1,135 million in April 1970, and $1,222 million in June 1970.

Law Enforcement and Operations

During fiscal 1970 Treasury strengthened enforcement activities at every level.

Drug smuggling

Treasury made illicit traffic in narcotics and dangerous drugs its priority enforcement target during the fiscal year. In response to President Nixon's call for a major new initiative against drug traffic, Treasury sought and secured an $8.75 million supplemental appropriation used to increase Customs personnel and equipment. These new resources enabled Customs to launch a major antidrug smuggling program beginning in June 1970 and to provide intensified examination of passengers, baggage, and cargo at all border points and principal seaports and airports of entry.

Earlier in the year Treasury shared the lead role in Operation Intercept, a large-scale drug search effort at the U.S.-Mexican border. This was followed by Operation Cooperation, a joint U.S.-Mexican effort designed to reduce drug flow.

Organized and white collar crime

Organized and white collar crime also received special attention during the fiscal year. Treasury action focused upon prevention of the use of secret foreign bank accounts to further tax frauds, to screen a wide variety of criminally-related financial activities, and to conceal and cleanse criminal wealth.

In the United States, law enforcement authorities are able to obtain bank information through legal process. However, investigations and prosecutions have been thwarted by the inability to obtain comparable information located abroad.

The Department has undertaken a program of administrative, legislative, and treaty action to remedy the problem. The Department has been analyzing measures available pursuant to existing tax treaties and statutory authority. A determination was made that, beginning in taxable year 1970, U.S. taxpayers would be required to disclose on their tax returns their direct or indirect interest in foreign bank and brokerage accounts.

Treasury has propounded numerous legislative proposals designed to curb the legal use of secret foreign bank accounts, many of which proposals have been incorporated in legislation.

Operating pursuant to existing statute and treaty law, Treasury has greatly stepped up efforts in obtaining information from foreign banks on criminally-related uses of the secret foreign bank account. Further, Treasury representatives have participated in discussions with Swiss authorities concerning a treaty of judicial assistance in

criminal matters, as well as discussions concerning the interpretation of the provisions of the 1951 income tax treaty with Switzerland which provides for the exchange of information to prevent income tax fraud.

Treasury agencies increased their contribution of manpower and resources to the organized crime strike forces, coordinated Government enforcement units designed to fight organized crime in many prominent cities throughout the United States. Treasury now provides approximately 50 percent of the Nation's strike forces personnel.

Another major development during the year was the launching by Treasury of the three-pronged attack against cargo theft, largely the product of organized criminal activity.

Administration—Study and Organizational Improvement

Pursuant to the recommendations of a study of the activities of the Office of the Assistant Secretary (Enforcement and Operations), on March 30, 1970, the Office was reorganized, creating three constituent offices: Office of Law Enforcement, Office of Trade and Tariff Affairs, and Office of Operations. Further reference to these three offices is made in the Administrative Reports section, pages 65–66.

Law Enforcement: Study and Implementation

On July 18, 1969, a study of Treasury law enforcement operations was initiated, and the final report was published in January 1970, containing numerous recommendations which are currently being implemented by the Department of the Treasury. Pursuant to those recommendations, we have:

—Designated the Office of the Assistant Secretary (Enforcement and Operations) to serve as a point of coordination between the Department's Office of Personnel and the law enforcement agencies in the establishment and implementation of personnel policies, standards and practices applicable to all of the enforcement agencies;
—Developed systems and procedures for periodically reviewing the overall inspection programs of the enforcement agencies;
—Developed a management information system to keep the Office of the Secretary fully advised as to the significant developments and other matters affecting the Treasury law enforcement image;
—Set in motion procedures to review and decide on an appropriate course of action concerning personnel and administrative policies that appear to constitute a source of dissatisfaction to the enforcement agencies;
—Issued a policy statement encouraging the participation of local law enforcement personnel in meetings or luncheons that will bring them in contact with other Treasury, Federal, State and local enforcement-related personnel;

—Supported securing additional Secret Service agents during the period of 1971–72 to cover the Secret Service protective and investigative responsibilities;
—Reorganized the internal audit section of the Customs Agency Service to combine it with and make it an integral part of the inspection system.

Trade and tariff affairs

In the trade and tariff area, two significant changes were made in Antidumping Act administration. One relates to the policy of accepting price assurances, the other to the expediting of antidumping investigations.

On May 20, 1970, Assistant Secretary Rossides announced that "price assurances are being accepted only in cases where dumping margins are minimal in terms of the volume of sales involved." In the past, a foreign exporter who sold in the United States at prices below those in his home market could be reasonably certain of avoiding a Treasury determination of "sales at less than fair value" by revising his prices and offering assurances that he would not engage in these practices in the future. This allowed foreign exporters to obtain a foothold in American markets by undercutting the prices of their U.S. competition without concern for the possible consequences under the Antidumping Act.

The Department of the Treasury also revised its antidumping regulations to provide that when a case is closed on a price-assurance basis, the published closing notice will state the facts relied on by the Secretary in publishing the notice and that these are to be considered evidence warranting the termination of the investigation. This contrasts with the former practice under which cases closed with assurances of price revision were terminated with a determination of "no sales at less than fair value."

Following a management study which was completed in the preceding fiscal year, the Department of the Treasury has taken numerous efficiency measures to decrease the time required for the completion of antidumping investigations. In addition, the Bureau of Customs substantially increased its professional and clerical staff assigned to the administration of the antidumping and countervailing duty laws. This will expedite antidumping investigations.

In September of 1969 Treasury representatives attended the annual meeting of the Subcommittee on Anti-Dumping of the GATT. The purpose of this meeting was to consider steps that signatory countries had taken to comply with the International Dumping Code.

Consolidated Federal Law Enforcement Training Center

On March 2, 1970, the Consolidated Federal Law Enforcement Training Center was established as an independent organization, acquiring Bureau status under the administration of the Department of the Treasury. It will train agents for all Treasury enforcement arms as well as provide agent and police training to personnel of other Government agencies.

INTERPOL

During fiscal 1970, INTERPOL processed 1,287 cases of which 305 were U.S. originated. The balance of 982 cases were foreign-originated requests for information or investigation within the United States. This caseload represents a significant increase of both total caseload and proportion of U.S.-originated cases. The U.S.-originated cases represent requests from U.S. Federal, State and local law enforcement agencies for information or investigation overseas, and denotes a marked increase in requests for assistance by State and local police. We attribute the caseload increases largely to a greater awareness of available INTERPOL services on the part of U.S. law enforcement personnel.

In October 1969, Assistant Secretary Rossides was Chairman of the U.S. Delegation to the 37th Annual Meeting of the INTERPOL General Assembly held in Mexico City where he was elected as one of the three vice presidents of the organization. Considered at that General Assembly meeting, in which the United States took an active part, were several enforcement questions relating to counterfeiting and narcotics at an international level. Several substantive resolutions were introduced, discussed and passed during the General Assembly.

Creation of the Executive Protective Service

A major enforcement action taken was the creation of the Executive Protective Service, which extended to foreign embassies situated in Washington, D.C., protection by the same personnel protecting the White House.

Taxation Developments

Legislative highlights

The major development in fiscal 1970 was the passage of the Tax Reform Act of 1969 which constituted the most significant legislation for reduction of special preferences in the tax law ever enacted in the United States. During the last half of the fiscal year the Treasury issued a large number of regulations implementing the provisions of that Act.

397-702 O—71——4

In addition to tax reform the Congress in earlier legislation extended the surcharge at 10 percent for the balance of 1969. The Tax Reform Act further extended the surcharge at a rate of 5 percent for the first 6 months of 1970, and delayed for 1 year the scheduled reductions in excise taxes on telephone service and automobiles.

Separate legislation, described later, imposed additional taxes in the nature of user charges on air transportation.

In testimony before the Ways and Means Committee on May 12, 1970,[1] the Secretary of the Treasury recommended adoption of legislation to provide deferral of tax with respect to profits arising from export sales channelled through a Domestic International Sales Corp. (DISC). This proposal is intended to remove a tax disadvantage to U.S. exports relative to foreign manufacturers and to provide an incentive for further export activity by U.S. businesses.

On May 19, 1970, President Nixon proposed the enactment of a special excise tax of $4.25 per pound on the lead content of additives used for motor fuels, to encourage industry to provide low or nonleaded gasoline.[2] This environmental control measure was designed both to support the rapid development of more advanced automobile emission control systems requiring unleaded fuel and to reduce the amount of background lead in the environment. The proposed tax, in addition to this important antipollution incentive, was estimated to provide transitional revenue of $1.6 billion in the first year and diminishing amounts as the incentive takes effect.

The President's message to the Congress of March 23, 1970, on improving the prospects of small business contained recommendations for significant new tax benefits to help small business, summarized in a later section.

Tax Reform Act of 1969

H.R. 13270, the tax reform bill, as passed by the House of Representatives on August 7, 1969, contained substantially all of the administration proposals described in the Secretary's Annual Report for fiscal year 1969 (pages 26–33), but with some important modifications and additions.

In his testimony before the Senate Finance Committee on September 4, 1969,[3] Secretary Kennedy praised the sweeping reform nature of the House bill but urged that its long-run revenue cost of an estimated $2.4 billion be reduced by half, that the balance of tax shifts in favor of individuals in the bill be redressed by granting some tax relief to corporations as well, and that certain structural changes be revised. Specifically, the administration proposed returning to a

[1] See exhibit 23.
[2] See exhibit 25.
[3] See exhibit 21.

vanishing low-income allowance, although at a slower phaseout than it originally proposed, rather than the more costly approach of a minimum standard deduction adopted by the House, and limiting the maximum standard deduction to the lower of 12 percent or $1,400 rather than 15 percent or $2,000. The administration also recommended introducing a new rate schedule for single persons, instead of granting head-of-household status to those over age 35, and lowering the corporate tax rate by two percentage points.

The administration did not oppose the House action in lowering the rates of personal income tax or in reducing the maximum percentage depletion rate from 27½ percent to 20 percent. It did advise restoring such depletion to the limit on tax preferences (LTP) and suggested several other changes, such as removing State and local bond interest from the LTP and relaxing somewhat the House approved increases in the taxation of capital gains and foundations' investment income.

The Senate Finance Committee reported out the bill on November 21, 1969, and it was approved by the Senate with modifications on December 11. The Senate version of the bill accepted some of the administration's recommendations, including those with respect to single persons and retaining the 6-month holding period for long term capital gains; but it increased rather than decreased the net revenue cost of the bill to a long-run total of about $5.5 billion.

The Senate bill substituted increased personal exemptions for the rate reductions and the maximum tax on earned income provided in the House bill. However, the more serious revenue consequences resulted from changes in other aspects, such as softening the increase in capital gains taxation and introducing a very costly tax credit for higher education expenses. The latter provision was eliminated by the conference together with other revisions which resulted in a final net revenue cost of an estimated $2.5 billion.

The Tax Reform Act was signed by President Nixon on December 30, 1969.[1] It provides in the long run a revenue reduction at 1969 income levels of $2.5 billion. The details of the effects on calendar year liabilities of taxpayers are shown below:

[In millions of dollars]

	1970	1971	1972	1974	Long run
Tax reform program	+$1,150	+$1,430	+$1,660	+$2,195	+$3,320
Repeal of investment credit	+2,500	+2,990	+2,990	+3,090	+3,300
Tax reform and repeal of the investment credit	+3,650	+4,420	+4,650	+5,285	+6,620
Income tax relief	−1,441	−4,927	−7,269	−9,134	−9,134
Balance between reform (+) and relief (−)	+2,209	−507	−2,619	−3,849	−2,514
Extension of surcharge and excises	+4,270	+800	+800		
Total	+6,479	+293	−1,819	−3,849	−2,514

[1] See exhibit 20.

In the short run the fiscal impact, including the extension of the surcharge at 5 percent to June 30, 1970, was to increase revenues in the fiscal years 1970 and 1971 by $3.7 billion and $2.7 billion respectively at 1969 income levels. The increases were lower by $0.5 and $2.9 billion respectively than the original administration proposals. The details of the short-run impacts are shown below:

[In billions of dollars]

Provision	Fiscal year 1970	Fiscal year 1971
Tax reform provisions (+):		
Corporation [1]	+$0.2	+$0.9
Individual [2]	(*)	+.2
Total, tax reform provisions	+.2	+1.1
Tax relief provisions (−): Individual [3]	−.3	−3.1
Other provisions (+):		
Repeal of investment credit:		
Corporation	+.9	+1.9
Individual	+.4	+.6
Total, repeal of investment credit	+1.3	+2.5
Extension of tax surcharge:		
Corporation	+.3	+.7
Individual	+1.7	+.4
Total, surcharge extension	+2.0	+1.1
Extension of excise taxes	+.5	+1.1
Total, other provisions	+3.8	+4.7
Total, all provisions	+3.7	+2.7

[1] Does not reflect the increase in tax receipts resulting from the imposition of increased penalties for failure to pay tax and make deposits when due.
[2] Does not reflect increase in tax receipts resulting from the imposition of increased penalties for failure to pay tax and make deposits when due; nor the increase in receipts resulting from the provisions regarding the reporting of medical payments for which data are not available.
[3] Does not reflect $200 million reduction in receipts resulting from certification of nontaxability for withholding tax purposes.

*Less than $50 million.

The Tax Reform Act contains a large number of provisions affecting different parts of the tax law. Some of the principal features are indicated below.

Individual income tax relief.—A major development in the legislative history of the Tax Reform Act was the adoption of amendments converting it from a measure that would have increased revenue in the long run to a tax relief measure providing major reductions in the tax liabilities mostly for low-income taxpayers. The Treasury proposal of a low-income allowance which would be phased out by $1 for each $2 of income above the poverty level was converted to a flat-amount low-income allowance of $1,000 plus an increase in the general standard deduction to 15 percent of adjusted gross income with a ceiling of $2,000 (from 10 percent and $1,000), and an increase in personal exemptions from $600 to $750 over a 3-year period.

In addition the act establishes a maximum marginal rate of 50 percent on earned income. The amount of relief for earned income is computed as if this were the only income and carried its share of deductions. The relief is also reduced where the taxpayer has significant amounts of preference income.

Single persons will benefit from a new rate schedule under which their tax liability may not exceed that of a married couple by more than 20 percent at any level of taxable income.

The relief provisions of the act have an important impact on tax-free income levels of individuals and thus operate to eliminate or reduce tax for many lower income individuals. The tax-free income level is equal to the sum of personal exemptions plus the low-income allowance, or formerly the minimum standard deduction. The final effect of the four-step increase in the personal exemption from the 1969 value of $600 to $625 in 1970, $650 in 1971, $700 in 1972, and $750 in 1973 and the increased minimum expense deduction or low-income allowance is that a single individual's tax-free income reaches $1,750 in 1973. The corresponding tax-free income level for a family of four becomes $4,000 when these provisions are fully effective. These levels represent increases over 1969 incomes not subject to tax of $850 and $1,000, respectively. The following table shows the increased tax-free income levels for other family sizes.

Tax-free income levels: 1969–1973

Number of exemptions [1]	1969	1970	1971	1972	1973 and thereafter
1	$900	$1,725	$1,700	$1,700	$1,750
2	1,600	2,350	2,350	2,400	2,500
3	2,300	2,975	3,000	3,100	3,250
4	3,000	3,600	3,650	3,800	4,000
5	3,700	4,225	4,300	4,500	4,750
6	4,400	4,850	4,950	5,200	5,500
7	5,100	5,475	5,600	5,900	6,250
8	5,800	6,100	6,250	6,600	7,000

[1] A single person age 65 or over is eligible for 2 exemptions, and a married couple both taxpayers age 65 or over is eligible for 4 exemptions.

Because the elderly are granted an additional special exemption for age, the act provides generous increases in tax benefits to the Nation's aged. The tax-free income level of single persons age 65 or over will be $2,500 when the act becomes fully effective; the comparable figure for a married couple both age 65 or over is $4,000. This represents an increase of $900 over the tax-free income level of 1969 for an elderly individual and $1,000 for an elderly couple.

A further consideration is that students will be able to earn up to $1,750 without being taxed, while their families claim them as dependents.

Other features of the law benefiting individuals are the averaging provisions and the moving expense deduction, both of which are more generous than under prior law.

The averaging provision was modified by permitting capital gains to be averaged and by reducing the percentage of increase over base period income from 33 percent to 20 percent that must occur before averaging comes into effect. The moving expense deduction was extended to certain related costs involved in moving.

The administration's proposal to include in taxable income one-half of tax preference income was replaced by a tax of 10 percent on the amount by which tax preference income exceeds the sum of $30,000 plus ordinary income tax liability. The definition of tax preference income was also altered somewhat.

The list of preference incomes includes the excluded part of long term capital gains, stock option benefits, the excess of percentage over cost depletion, the excess of accelerated over straight-line depreciation on real property (and certain personal property), the excess of rapid amortization over straight-line depreciation on antipollution equipment, railroad rolling stock and rehabilitated housing, excess investment interest, and excess bad debt reserves of financial institutions.

Limitations on specific tax preferences.—In addition to the minimum tax, the act establishes limits on certain specific preferences. For example, the amount of long-term capital gains which may enjoy the favorable 25-percent rate is limited to $50,000 per year; on gains above this amount the maximum tax is raised to 35 percent for individuals. The maximum capital gains rate for corporations is increased to 30 percent. The availability of capital gains treatment on income related to farm losses will also be restricted.

The act provides that net long term capital losses must be reduced by 50 percent when they are deducted against ordinary income. The annual ceiling of $1,000 on such deduction is retained.

The act also carries out the administration's proposal to eliminate the use of corporate chains to claim multiple exemptions from the corporate surtax. Corporations having over 80 percent common ownership will be limited to one such exemption after a 5-year transition period.

The unlimited charitable contributions deduction has been repealed while the general limit has been raised from 30 to 50 percent of adjusted gross income. In some cases the deduction for contributions of appreciated property is limited to the contributor's basis; where this is not the case the contribution is subject to the 30-percent limit (rather than the new 50-percent ceiling).

Private foundations are prohibited from engaging in acts of self-

dealing with violations subject to progressively increasing fines. They are subject to a tax of 4 percent on their net investment income.

The tax on unrelated business income is extended to virtually all exempt organizations.

The former mineral depletion percentage rate of 27½ is reduced to 22. The 22-percent rate will also apply to minerals formerly eligible for the 23-percent rate (plus molybdenum) while the 15-percent rate is lowered to 14 percent except on domestic deposits of copper, silver, gold, and iron shale.

The act also restricts the use of mineral production payments to avoid the limitations on depletion, loss carryovers, and the foreign tax credit. It does so by treating such transactions as loans rather than the transfer of an economic interest.

Accelerated depreciation on real estate (except residential) is reduced to depreciation not faster than 150 percent declining balance on new property, nor faster than straight line on used property. New residential rental housing continues to be eligible for 200 percent declining balance and sum-of-the-years digits methods; used residential property may be depreciated at a 125-percent declining balance rate if it has a useful life of 20 years or more at acquisition. The portion of the gain subject to recapture on subsequent sale of the property is increased (except publicly assisted housing). In addition, tighter rules apply to the payment of tax-free dividends out of earnings and profits made possible by accelerated depreciation.

The use of losses generated on farms to offset ordinary income while future sale of the farm enjoys capital gains treatment has been a tax-saving practice which is curtailed by the Tax Reform Act by requiring in certain cases treatment of part of the gain as ordinary income. The rules denying deduction of hobby losses are expanded.

In the future bad debt reserves maintained by commercial banks will be tied to actual loss experience. The special reserve deductions of mutual thrift institutions were reduced.

Distributions of income accumulations by the trust will be generally taxable to the beneficiaries at their regular rates with a credit for the tax paid by the trust. Several other more technical reforms were included.

New incentive provisions.—The act introduced incentives in the form of accelerated capital write-offs in four areas. Expenditures on rehabilitation of low-cost rental housing, pollution control equipment, railroad rolling stock, and certain coal mine safety equipment may be amortized over 5 years. In general, the rapid amortization is limited to investments made in the period prior to 1975.

One of the major actions taken in the act was the repeal of the 7-percent investment credit. This was proposed by the administration in

1969 (see annual report for fiscal year 1969, pages 25–26). The repeal applied in general to investments under contracts entered into after April 18, 1969.

Tax-exempt organizations.—The act sets forth additional guidelines (and revised sanctions) with regard to prohibited activities of tax-exempt organizations, principally foundations. The new rules involve self-dealing, holdings in unrelated business, insufficient distribution of income to charity, and political activity. In addition, the act imposes a 4-percent tax on the net investment income of private foundations and the full corporate tax on the unrelated business income of other exempt organizations which were previously excluded from the unrelated business tax.

Extension of the surcharge.—The combination of the Tax Reform Act and Public Law 91–53, approved by the President August 7, 1969, resulted in extension of the surcharge previously scheduled to expire June 30, 1969, at a rate of 10 percent through December 31, 1969, and at a rate of 5 percent through June 30, 1970. The Tax Reform Act also provided for delay of 1 year in the scheduled reductions in the automobile and telephone service excise taxes previously scheduled for reduction January 1, 1970.

Domestic international sales corporation

A Treasury proposal, presented to the House Ways and Means Committee on May 12, 1970, would provide for the establishment of a new class of domestic corporation to be known as a Domestic International Sales Corp. (DISC). The DISC proposal is intended to stimulate U.S. exports by providing for more equitable treatment of U.S. export income earned through a DISC, vis-à-vis foreign investment income of U.S. companies. More specifically, the proposal would permit a company, within prescribed rules, to defer income tax on exports sold through a domestic export subsidiary. The income that could be reflected in the export subsidiary, and enjoy deferral, would be prescribed by formulas which in general would permit half of the manufacturing profit to be treated as export income. To qualify for deferral the subsidiary profits must be reinvested in export related activities including certain loans to U.S. manufacturers of exported products.

Small business taxation

An administration bill entitled "Small Business Taxation Act of 1970," accompanying the President's Message of March 23, 1970 on measures to strengthen the small business sector, included provisions for (1) deductions of 20 percent of the gross income derived by corporations from obligations guaranteed by the Small Business Administration, (2) extension of the net operating loss carryforward from

the present 5 to 10 years for small business, (3) increase in the permissible number of shareholders from the present 10 to 30 for qualifying for partnership-like treatment under subchapter S of the Internal Revenue Code, (4) treatment of payments to Minority Enterprise Small Business Investment Companies as charitable contribution deductions, and (5) liberalization of the stock option rules for qualified small business corporations to permit exercise of qualified stock options up to 8 years after they were granted, as against 5 years under present law.

Air transport taxation

Public Law 91–258, known as the Airport and Airway Revenue Act of 1970, approved May 21, 1970, established an Airport and Airway Trust Fund to help finance Federal aid to airports and help pay for the Federal airway system. The fund is to receive revenues from the tax on transportation of persons by air which was increased from 5 to 8 percent, a new $3 per person tax on trips to foreign countries, a new tax of 5 percent on domestic air cargo shipments, a new annual use tax on civil aircraft, new and increased taxes aggregating 7 cents a gallon on fuel used in aircraft when not engaged in commercial transportation of persons or property, and the revenues from the existing taxes on aircraft tires and tubes.

Administration, interpretation, and clarification of tax laws

In connection with the administration of the tax laws, the Department of the Treasury, during fiscal 1970, issued 18 final regulations, 17 temporary regulations and 12 notices of proposed rulemaking, relating to matters including alcohol and tobacco taxes. Four of the final regulations, five notices of proposed rulemaking and all the temporary regulations covered projects under the Tax Reform Act of 1969.

Among the subjects dealt with in Treasury decisions published during the fiscal year were grants to individuals by private foundations awarded prior to but paid after January 1, 1970, taxes on self-dealing with respect to scholarship and fellowship grants by private foundations, certain indirect transactions by a private foundation with respect to Government officials, the distribution of cash in lieu of fractional shares under section 305 of the Internal Revenue Code, and withholding with respect to certain employees who incur no income tax liability.

International tax matters

Legislation, regulations and administrative procedures.—Aside from several minor provisions in the Tax Reform Act of 1969, there were no legislative enactments in the international tax field in fiscal 1970.

Pending legislation relating to the treatment of Domestic International Sales Corps. is described in a prior section.

The Office of the Assistant Secretary for Tax Policy has taken an active role in developing legislative proposals to control the use of secret foreign bank accounts by U.S. citizens.

A new administrative procedure was issued on June 26, 1970, to provide guidance for taxpayers in invoking competent authority procedures for settling disputes arising under U.S. tax conventions.

Tax treaties.—An income tax treaty with Finland was signed on March 6, 1970. The new treaty, when ratified, will replace the treaty which was signed in 1952.

A new income tax treaty was signed on January 9, 1970, with Trinidad and Tobago, which, when ratified, will replace a limited, interim treaty which was signed in 1966.

A new income tax treaty with Belgium was initialled and prepared for early fiscal 1971 signature. The new treaty will replace the 1948 treaty now in effect.

An agreement was reached on a protocol to the 1968 income tax treaty with France which, when signed and ratified, will provide for the extension by France to U.S. portfolio investors in French companies of the credit now given to French shareholders for one-half of the 50 percent French corporate tax.

Draft income tax treaties were initialled with Japan and Norway during fiscal 1970, and are being prepared for signature, to replace existing treaties with those countries.

Initial discussions were held with Turkey in September 1969 on an income tax convention. There is no income tax treaty in force between the United States and Turkey.

An estate tax convention between the United States and the Netherlands was signed on July 15, 1969. There was no estate tax treaty in force between the two countries. The new treaty will come into effect after the treaty is ratified and instruments of ratification are exchanged.

Negotiations were continued, but not concluded, during the year on a new estate tax treaty with France, to replace the treaty which has been in force since 1949.

International organizations.—Treasury representatives participated in the work of the Fiscal Committee of the Organization for Economic Cooperation and Development (OECD). During the year the committee advanced its work on revising its model tax convention and agreed to undertake a study of comparative depreciation practices. The committee moved toward a greater involvement in questions of domestic tax policy by receiving reports on tax reform progress in the

United States and Canada. A Treasury representative was elected chairman of the committee.

Treasury representatives also participated in the work of an OECD ad hoc group of tax experts which met to consider a broadening of the fiscal committee's terms of reference to include the study of tax policy matters not dealing necessarily with double taxation. The group reported favorably on such a broadening. Among the suggestions for projects to be undertaken by the reconstituted fiscal committee are a standardization of fiscal reporting and definition, and a study of the problems in corporate income taxation and of the issues raised by the emergence of multinational corporations.

Treasury officials participated in a meeting of experts on tax treaties between developed and developing countries, held under the auspices of the United Nations Economic and Social Council. The group, meeting this year for the second time, continued its discussion of the kinds of provisions appropriate to a treaty between a developed country and a developing country.

The U.S. delegation to the fourth annual meeting of the Inter-American Center of Tax Administrators in Montevideo, Uruguay, included Treasury officials. The program dealt with a variety of subjects, including the value-added tax and the U.S. Tax Reform Act of 1969.

Other activities.—Under an agreement with AID, a Treasury representative visited several countries in Southeast Asia on a tax policy assistance mission. A written report was delivered to AID on the equity problems and fiscal prospects of land taxation in Nepal.

International Financial Affairs

U.S. balance of payments

For fiscal 1970 as a whole, the U.S. balance of payments measured on the liquidity basis did not change substantially from the fiscal 1969 level. The fiscal 1970 liquidity deficit, including the favorable impact of the $867 million initial allocation of Special Drawing Rights (SDR), was about $4.0 billion, and that excluding the SDR allocation about $4.8 billion, compared with the fiscal 1969 total of about $4.8 billion.

The balance measured on the official settlements basis, on the other hand, showed a $7.1 billion adverse swing—from a $2.9 billion surplus in fiscal 1969 to a $4.2 billion deficit (including the SDR allocation) in fiscal 1970.

Changes in the liquidity deficit included a $1.9 billion increase in the U.S. trade surplus, only partially offset by some worsening in other current account categories, especially payment of investment in-

comes to foreigners. This resulted in a $1.4 billion improvement in the overall current account balance (including Government economic grants and other unilateral transfers), from a deficit of $1.1 billion in fiscal 1969 to a small surplus of $0.3 billion in fiscal 1970.

The deficit on total capital account (excluding special inflows) was $3.6 billion, or about the same as in 1969. Net special receipts were slightly negative compared with a net inflow of more than $1.6 billion in fiscal 1969; and the errors and omissions outflow was $1.5 billion, down $0.3 billion from the preceding year.

The $7 billion adverse swing in the balance on official reserve transactions substantially eliminated, for fiscal 1970 as a whole, the abnormally large divergence which had developed during fiscal 1969 between the two indicators of our external position. The unprecedented increase of roughly $7 billion in Euro-dollar borrowing by domestic banks from their branches abroad, which had been the primary factor accounting for this divergence in the previous year, gave way during fiscal 1970 to a moderate net decline (of approximately $1 billion) in the outstanding amount of such borrowings. Partially offsetting the approximately $8 billion effect of this change, on the official settlements balance as compared with that on the liquidity basis, was the fact that only $0.2 billion of the adverse swing on total special transactions affected the official settlements measurement.

The improvement in the trade account accompanied a fall-off in the rate of growth of U.S. imports, up 12 percent in 1970 compared with 16 percent in 1969 as a result of the slowdown in the domestic economy. At the same time, the continued strong pace of business in most foreign markets resulted in a further healthy growth in U.S. exports, up 17 percent in fiscal year 1970 compared with 8 percent in 1969. Most of the improvement in the trade account occurred during the last half of the fiscal year, with the net trade surplus in the January–June 1970 period rising to $1.4 billion compared with a net trade deficit of $0.1 billion in the same period in the preceding year.

While there was a welcome increase in the U.S. trade balance during fiscal 1970, the U.S. trade position is not as strong as it needs to be. For example, the U.S. share of world manufacturing exports, after adjustment for trade generated by the U.S.-Canadian automobile agreement, continued to decline as it has every year since 1962. At the same time, imports of manufactured goods are becoming a significantly larger share of the commodity component of U.S. gross national product.

On overall capital account, excluding liquid liabilities to foreigners, special transactions, errors and omissions, and the SDR allocation, there was a net recorded outflow of $3.6 billion in fiscal 1970, about the same as in fiscal 1969. Total recorded U.S. capital transactions showed

an improvement of $1.6 billion over the previous year as nearly all categories showed small to moderate improvements. This was offset, however, by a nearly equal decline in net inflows of nonspecial foreign capital reflecting in particular sharply reduced net purchases of U.S. stocks by foreign residents.

Total outflows on U.S. direct investment account increased to $3.9 billion from $3.7 billion in fiscal 1969. Excluding the use of foreign source funds obtained by new issues of long term securities abroad, such direct investment outflows were $3.4 billion in fiscal 1970 compared with $2.8 billion in the prior year.

A $226 million improvement in U.S. bank outflows during fiscal 1970 resulted mainly from a $320 million shift in short term U.S. bank claims on foreigners. Outflows declined from $978 million in fiscal 1969 to $658 million in fiscal 1970. In addition, there was a continued sizable reflow of long term bank capital in 1970. Such claims fell by $239 million in fiscal 1970 compared with the $333 million drop which occurred in fiscal 1969. The reduction in long term U.S. bank claims on foreigners was partly due to continued tight monetary conditions in the United States.

U.S. nonbank claims on foreigners increased by $317 million in fiscal 1970 compared with the $585 million increase which occurred in fiscal 1969. While there was some increase in the outflow of long term funds, this was more than offset by the nearly $500 million turnaround in short term flows (from an increase of $201 million in the previous year to a decrease of $285 million in fiscal 1970). The net change in nonbank claims reflected, among other factors, further foreign sourcing of funds by direct investors under the direct investment program—as such investors continued to use proceeds from prior Euro-bond borrowings, held in deposits abroad, while new Euro-bond borrowings declined substantially.

Net U.S. purchases of foreign securities during fiscal 1970 amounted to $0.7 billion, down $0.9 billion from the $1.6 billion level in the previous fiscal year. There was also a $0.3 billion improvement on Government capital account as net outflows fell from $2.3 billion previously to $2.0 billion in fiscal 1970.

The big capital account change during fiscal 1970, compared with fiscal 1969, was in foreign capital inflows into the United States which fell to $3.7 billion for the year, a decline of $1.6 billion. This was in large part due to a substantial reduction in net purchases of U.S. stocks by foreigners. Such purchases which were running at quarterly rates of about $540 million during fiscal 1969 declined to an average of $330 million in the first two quarters of fiscal 1970. During the last half of the fiscal year there was a net disinvestment by foreigners in U.S. stocks. This reduction in foreign purchases of U.S. stocks reflected

mainly the continued weakness of the U.S. stock market as major market indicators declined throughout most of the fiscal year. Net foreign purchases of U.S. corporate bonds continued at a relatively high rate during most of the fiscal year.

Partially offsetting this decrease in foreign portfolio inflow was a $507 million increase over the previous fiscal year in foreign direct investment inflows into the United States. Sizable foreign direct investments in several major U.S. corporations, resulting in a shift of control to foreign based firms, accounted for much of the increase in these inflows.

A second major factor adversely affecting the liquidity balance during fiscal 1970 was the substantial turnaround in total special transactions from an inflow of $1.7 billion in the previous fiscal year to a net outflow of $21 million.

The approximately $1 billion net decline during fiscal 1970 in the outstanding volume of U.S. bank Euro-dollar borrowing from foreign affiliates was concentrated in the final months of calendar 1969 and the January–June half of the fiscal year; a slower but continued increase occurred in such borrowing (by roughly $1.5 billion) during the early months of the year, giving way thereafter to a net decline of about $2.5 billion.

The shifting pattern of this borrowing in the course of the fiscal year reflected both the progressive emergence of somewhat easier monetary conditions in the United States and a number of institutional modifications in domestic banking practice or regulations. Particularly important were the Federal Reserve imposition for the first time, effective September 4, 1969, of a 10 percent reserve requirement against additional U.S. bank borrowing from foreign banks, including their own branches abroad, in excess of a specified base level; and the increased development of domestic borrowing on the commercial paper market, through bank holding companies, as an alternative source of funds. Finally, the Federal Reserve suspension, as of June 27, 1970, of previous regulation Q ceilings on interest rates payable domestically on large-denomination negotiable certificates of deposit may also have had an important impact during the final week of the fiscal year.

The effects of this swing in U.S. bank demand for Euro-dollars both on interest-rate levels and on the general demand for and availability of funds in that market relative to domestic monetary conditions in major foreign countries have presumably tended: To reduce, and possibly to reverse in part, the apparent "circular flows" of U.S. resident deposits into Euro-dollar banks and through them back to U.S. banks; and to weaken the unusually strong incentives for commercial banks and other private residents in major foreign countries to convert local

currencies into U.S. dollars, at the expense of foreign official reserves, for placement in the Euro-dollar market which had developed during the latter part of the previous fiscal year.

The net result of these Euro-dollar market developments plus the above-noted shift in the direction of net special transactions was a major turnaround between fiscal 1969 and fiscal 1970 in the size and direction of the variation between the two official measures of the U.S. overall payments position. The difference between the liquidity balance and the official settlements balance fell from nearly $7.7 billion in fiscal 1969 to less than $300 million in fiscal 1970 with most of the change being registered between the second half of fiscal 1969 and the first half of the current year. This further evidence of the volatility of variation between the two measures lends added weight to questions which have been increasingly raised during recent years as to the significance and adequacy of the two present payments balances. The whole question of whether some alternative or additional kind of balance might perhaps provide a more useful measurement and assessment of the U.S. international payments position is currently under review.

The international monetary system

Summary of international developments.—The period of this report, July 1, 1969, to June 30, 1970, was one of solid progress in international monetary affairs. Of fundamental importance to the international monetary system was the decision to activate the Special Drawing Rights (SDR) facility, and to allocate $9.5 billion of SDR's during the first 3 years of the facility's operation. The Executive Directors of the International Monetary Fund also proposed a sizable increase of Fund quotas to provide a needed expansion in medium term credit facilities for member countries. The two-tier gold market arrangement continued to prove its value in practice and the nonmonetary gold price has stabilized close to the monetary price. Agreement was reached on arrangements for the sale of South African gold.[1] Adjustments in the exchange rates of the Deutsche mark and the French franc and the improvement in the French and British trade and payments positions contributed to a relative degree of calm in international exchange markets and to a strengthening of the international monetary and payments structure. At the end of May, the Canadian dollar was allowed to rise above the parity limits, following a large inward movement of funds.[1] The Executive Directors of the International Monetary Fund began studies of possible improvements in the system of exchange rate adjustment.

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[1] See next section on foreign exchange developments and operations.

Approximate balance in the U.S. official settlements position during the July–December period of 1969 gave way to a large deficit during the first semester of 1970. A continuing deficit on the liquidity balance and a weak (but gradually improving) trade position indicated a continuing unsatisfactory situation, both as to basic structure and overall results, in the U.S. balance of payments. (See preceding section.)

The activation of Special Drawing Rights in the substantial amount of $9.5 billion in 1970–72 will enlarge global monetary reserves, totaling about $77 billion at the end of calendar year 1969, by about 12.5 percent. The activation of the SDR in a sizable amount signalizes transition of the world's monetary system from dependence for growth in reserves on new gold and rising official dollar holdings to principal reliance on a carefully designed and consciously created international monetary instrument. The United States received $867 million, or about 25.4 percent, of the first allocation of SDR of $3.4 billion on January 1, 1970.[1]

Enlargement of Fund quotas.—On December 30, 1969, the Executive Directors of the Fund submitted a proposal for an increase in the quotas of all members of the Fund. The resolution providing for the increase in quotas was approved by Governors casting the required 85 percent of weighted votes. The Secretary of the Treasury, on the advice of the National Advisory Council, cast the U.S. vote in favor of the resolution on January 19, 1970, while formally recording that he was not requesting or consenting to an increase in the U.S. quota. Legislation necessary for the U.S. participation in the quota increase was submitted to the Congress in March.[2] Should all members accept the proposed increases, aggregate Fund quotas would rise from the current level of about $21.3 billion to approximately $28.9 billion, an increase of $7.6 billion. The new quota proposed for the United States is $6,700 million, an increase of $1,540 million from the present quota of $5,160 million. The proposed increase in quotas would strengthen the international monetary system by providing the Fund with substantial additional resources for lending to member countries. Such an expanded facility for medium term credits of the Fund would provide members more scope to meet temporary balance-of-payments disequilibria in an orderly fashion. The proposed quota increase will come into effect on October 30, 1970, for those members which have accepted their proposed increases by that date. Supplementing the ordinary resources of the Fund is the $6 billion of the General Arrangements to Borrow which, having proved its usefulness during the

[1] See exhibits 37 and 38.
[2] See exhibit 40.

past 8 years, was extended for another period of 5 years beginning October 24, 1970.

IMF study of proposals for limited exchange flexibility.—Large-scale movements of speculative funds from currency to currency and the continuation of persistently unbalanced trading positions in some countries during recent years combined to stimulate proposals for study of possible improvements in the international monetary system and to attract many proposals for reform from academic economists. At the annual meeting of the Fund in September 1969, Mr. Schweitzer, the managing director of the Fund, suggested that the Fund study the mechanism by which exchange rates are changed, and investigate "whether a limited increase in flexibility of exchange rate variation would be desirable and attainable with the necessary safeguards; and through what means any such increased flexibility might be achieved." This study was supported at the meeting by many Governors, including Secretary Kennedy who stated that the United States would participate actively.[4] The Executive Directors of the Fund are now carrying out an investigation of the question.

Movement in world reserves.—The outflow of speculative funds from Germany following the mark revaluation [2] resulted in a reduction by more than $5 billion in Germany's international reserves during the final quarter of 1969. This reduction in German reserves was not, however, reflected in a comparable increase in the official reserves of other countries, since these funds were used largely to repay official short term debts or were absorbed by private holdings. As a result of these developments, the industrial countries of Europe as a group lost almost $4 billion of reserves, and the international monetary system as a whole almost $3 billion, during the final quarter of 1969. International reserves declined from $79.8 billion at the end of September to an estimated $77.1 billion at the end of the calendar year. The movement of global reserves leveled off during the first quarter of 1970, rising by only slightly more than the amount of the SDR allocation. At the end of the second quarter, global reserves were about $83.3 billion.

Interest rates and U.S. balance of payments.—As indicated above, large-scale movements of short term speculative funds were a dominant factor in the exchange markets during the first half of the period. The Euro-dollar market played a key role in these speculative movements, as funds were shifted in and out of this market to benefit from expected changes in exchange rates and to maximize interest rate returns. Interest rates on 3-month Euro-dollar deposits rose from 10 percent in July to about 11.5 percent in November, declining again

[1] See exhibit 35.
[2] See next section on foreign exchange developments and operations.

to 10 percent at the end of the year. Euro-dollar rates continued to fall to about 8 percent in mid-April, moved upward to about 9.5 percent by mid-June, but fell off slightly to about 9 percent at the end of June. These changes reflected several developments but mainly the speculative flows before and after the German reevaluation, borrowings by U.S. banks from their European branches, and restraints imposed by a number of European countries on investment by their banking systems in the Euro-dollar market. More recently, relatively high interest rates in France and Germany have attracted funds from this market and supported the Euro-dollar rate level.

The massive borrowings by U.S. banks in the Euro-dollar market during the first semester of 1969, amounting to about $7 billion, caused the Federal Reserve Board to amend its regulations in a way designed to moderate the flow of Euro-dollars between U.S. banks and their foreign branches as well as between U.S. and foreign banks.[1] The amendments and reversal of the speculative flows to Germany slowed the growth in Euro-dollar borrowings by U.S. banks. By December 24, these borrowings had risen another $1.1 billion, but heavy repayments in the last week of December brought the total at the end of the year back to the June 1969 level. Repayments continued through mid-April, contributing to the decline in Euro-dollar rates. Subsequently, Euro-dollar borrowing by U.S. banks has tended to hold at a plateau with some variation from week to week.

The U.S. balance of payments on an official settlements basis was in approximate balance during the second half of calendar 1969 following a large surplus during the early months of the year which was attributable to tight monetary conditions in the United States and the high interest rates which attracted private short term funds both to the Euro-dollar market and to the United States.

Large repayments of Euro-dollar borrowings by U.S. banks during the early months of 1970 contributed to a reversal of the 1969 official settlements surplus to a deficit of $2.8 billion (excluding SDR) during the first quarter of 1970. The liquidity balance, in substantial deficit in 1969, continued in deficit ($1.5 billion excluding SDR) during the first quarter of 1970. Deficits on both the liquidity and official settlements basis were also recorded in the second quarter of 1970. The underlying structure of the balance of payments remained unsatisfactory as the current account balance was not sufficient to sustain the U.S. propensity to lend and invest abroad and to provide foreign aid without paying out liquid dollars to the rest of the world on a substantial scale.

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[1] See section on U.S. balance of payments.

Foreign exchange developments and operations

Apprehension as to probable parity changes in the exchange rates for the German mark and French franc, and possibly other currencies, continued into this fiscal year. The dollar, while occasionally buffeted by speculative movements occasioned by these fears, remained essentially strong. Restrictive credit policies undertaken to combat inflation in the United States exerted a pull of short term funds from abroad in the first half of the year, most manifest by borrowings by U.S. banks in the Euro-dollar market. This led to a sizable U.S. official settlements surplus in its balance of payments for calendar year 1969 and consequent pressures on the reserves of a number of other countries.

Following the changes in parities of the German mark and French franc in the first half of the period, the exchange markets returned to more normal conditions, and gold markets were quiet throughout the period. An easing of money-market pressures in the United States after the beginning of 1970 and a tightening in many foreign centers led to a reversal of short term capital flows and a large deficit in the U.S. balance of payments.

Although a devaluation of the French franc had been widely anticipated, when it occurred in August 1969 during a period of relative calm, it took exchange markets by surprise.[1] Some speculative attention was directed to the Belgian franc and the pound sterling following the French move, but in general little speculative activity was generated, and "sympathetic moves" were limited to the franc area.

The question of an appreciation of the mark remained open and as the German national elections approached, speculative activity grew. On September 24, just prior to the election, the German authorities suspended official operations in the exchange market and following the election announced that temporarily the official margins would not be maintained. The Deutsche mark appreciated in the market rather steadily as the Bundesbank intervened to counter any tendency for the rate to fall back from the higher levels reached in the market. On October 26, a new par value was established representing a revaluation of approximately 9.3 percent.[2] Beginning with the period of "transitional float" the DM was allowed to depart from its old ceiling, and continuing through the end of 1969 there was a very large outflow of funds that had been built up in anticipation of revaluation. German reserves fell by $5 billion in the fourth quarter of 1969.

[1] See exhibit 52.
[2] See exhibit 53.

The revaluation of the mark also gave rise to some speculation as to moves by other currencies, most notably the Dutch guilder, which in 1962 had revalued along with the mark, and the Swiss franc. The Belgian franc, which only a short time before had experienced adverse speculation, was now also considered a potential candidate for revaluation enabling the Belgian National Bank to more than recover losses sustained earlier. The French franc and pound sterling also benefited from the German move which was recognized as a major step in bringing exchange parities into a viable alignment.

Throughout the year the Italian lira was the subject of continuing rumors concerning political uncertainties and labor difficulties. Capital outflows continued and there was a deterioration in the trade accounts as productivity lagged. At the close of the period, the lira was still under pressure, though without apparent justification.

Near the close of the period, at the beginning of June 1970, the Canadian Government announced that it had ceased to maintain its exchange rate within the 1 percent margin prescribed by the International Monetary Fund but would intervene to maintain orderly conditions in the exchange market and to operate for the time being to moderate any appreciation of the Canadian dollar. The intent was also expressed of resuming the IMF obligations of maintaining a rate within 1 percent of an established parity as soon as circumstances permitted.

After rather erratic movements on the first day following the Canadian announcement, the rate for the Canadian dollar moved within a range of 95½ cents to slightly over 97 cents to the U.S. dollar. This compares to the previous parity rate of 92½ cents.

The freeing of the Canadian rate did serve to stem the large inflow of funds and appeared to have no lasting direct effect on exchange markets or relationships elsewhere. Indirectly, however, this step may have contributed to some nervousness and uncertainty in exchange markets.

In general, speculative pressures were at a minimal level following the mark revaluation. By the end of the period, however, some uneasiness had returned to the market. The large U.S. deficit gave cause for concern although up to that point it had largely served to enable credit repayments by the United Kingdom and France, a partial restoration of reserves by Germany, and an inflow to Canada which had been reinvested in special Treasury medium term securities. Also, the marked improvement in sterling had faded somewhat as the British trade account returned to a deficit position in the final quarter. The political uncertainties continued in Italy. In Germany a stringent monetary policy was being followed to curb inflationary tendenices

with the result that high German interest rates attracted funds from abroad.

Exchange operations by the United States through the Treasury and the Federal Reserve system took the form primarily of the reversal of credits previously extended.[1] The United Kingdom made large exchange market gains, which it mainly devoted to repayment of swap and similar type credits to the United States and others. U.S. holdings of sterling, which were largely generated through such operations, declined by about $2.2 billion. France also experienced a great improvement in its accounts during this period which, together with drawings on the International Monetary Fund, enabled it both to add to reserves and repay short term credits, which in the case of the United States amounted to $200 million. The French announced that by June 30, 1970, all foreign indebtedness but that to the IMF had been repaid.

Pressures in 1969, prior to the mark revaluation, had led both the Dutch and Belgian Central Banks to avail themselves of drawings on the Federal Reserve swap line. As a result of reverse flows beginning in October, both banks were able to repay their swaps and by yearend the Federal Reserve was providing cover for dollar inflows to the Dutch and Belgians and the Swiss as well. A good deal, if not all, of the dollar gains by these countries was attributable to speculation that their currencies might be revalued as a result of the mark revaluation.

The Swiss swap was repaid early in the year and by the end of May the Dutch and Belgian lines had been repaid. In the case of the latter two, the United States drew $150 million in Belgian francs and guilders from the IMF and sold $20 million in SDR to complete the repayments.[2]

An influx of funds to Switzerland in May required the Federal Reserve to utilize again its swap facility with the Swiss National Bank and a small drawing had also been made again on the Belgian swap line by June 30, 1970.

Italy availed itself of the Federal Reserve swap facility on several occasions—once in September with repayment in November and again in January and February of 1970. The swap facility of the Federal Reserve with Italy was increased by $250 million and the Exchange Stabilization Fund of the Treasury extended a line of $250 million. These additional facilities were not, however, used during the fiscal year and much of the earlier Italian drawings had been repaid by June 30.

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[1] Detailed reports on Treasury and Federal Reserve foreign exchange operations are contained in the March and September issues of the Federal Reserve Bulletin and the Monthly Review of the Federal Reserve Bank of New York.

[2] See exhibit 55.

U.S. reserve assets increased during the fiscal year by about $200 million. Of this increase $736 million was in gold, $957 million in SDR (of which $867 million represented the allocation on January 1) and $800 million in the IMF reserve position. These increases were largely offset by a decline in foreign exchange holdings of $2.2 billion which, as previously noted, was primarily due to repayments of swap credits by the United Kingdom and France.

The increase in U.S. gold holdings was due to a sale by Germany of $500 million in December occasioned by the large outflow of funds from Germany which had seriously eroded its foreign exchange holdings and by a sale of $200 million to the United States by the Bank for International Settlements. Other gold transactions were small and purchases and sales were about in equilibrium.

In the first 6 months of operation of the SDR facility, the United States received $110 million of SDR against the sale of $20 million. The U.S. position in the IMF, which had been fully restored at the end of 1968, increased primarily as a result of dollar drawings by France and Germany.

The gold markets, since institution of the two-tier system in 1968, have been relatively immune to pressures that have been apparent in the currency exchanges. This trend was even more marked during this fiscal year. The price in London and Zurich was still relatively high, around $42 per ounce, as the period opened but declined steadily through September to just under $40. Following the final approval for allocation of SDR in 1970 at the annual meeting of the IMF, the price began to drop rather precipitously and by the end of December was at the $35 level. In December arrangements were made through the IMF for the handling of South African gold. In brief, these provided for orderly sales in the market of new production by South Africa when the market price was above $35 and sales to the IMF when below (see exhibits 46–48 for additional details). During the January–March period, the market price of gold was, for the most part, slightly below $35 and in the closing quarter of the fiscal year fluctuated between $35 and $36 per ounce.

Treasury exchange and stabilization agreements

During fiscal 1970, exchange agreements were in effect with Mexico and Venezuela. In December 1969, the Department of the Treasury and the Bank of Mexico extended their $100 million exchange agreement to cover the 2-year period ending December 31, 1971.[1] In March 1970, the Department of the Treasury and the Central Bank of Venezuela extended their $75 million exchange agreement to cover the 2-year period ending March 18, 1972.

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[1] See exhibit 54.

International Monetary Fund [1]

The pace of IMF activity increased during fiscal 1970. The par values of two major currencies were adjusted, and one major country had permitted its currency to float as of the end of the period. Currency purchases by member countries returned to a high level and, of great significance for the Fund and for the international monetary system as a whole, the Special Drawing Rights (SDR) facility began operation with an initial allocation on January 1, 1970. The IMF and South Africa reached agreement on the treatment of South African gold.[2]

Currency purchases (drawings) by members totaled $3.1 billion during the year. The bulk of the drawings were made by three countries and were intended primarily to protect official reserve positions affected by massive speculative flows prior to and following the revaluation of the Deutsche mark. The U.S. dollar was the main currency drawn although significant amounts of other currencies were also used, chiefly the Japanese yen, the Canadian dollar, the Deutsche mark, and the Italian lira. Repurchases during the year totaled $1.5 billion. As of June 30, 1970, cumulative drawings since the beginning of operations amounted to $21.2 billion of which $7.7 billion was in U.S. dollars. Cumulative repurchases as of June 30, amounted to $11.0 billion, of which $4.1 billion was in U.S. dollars.

The substantial net drawings of U.S. dollars by other members resulted in a large buildup of the U.S. reserve position in the IMF during the year. The U.S. reserve position rose from $1,549 million to $2,350 million at the end of June 1970 and consisted of the U.S. gold tranche of $1,290 million and a super-gold tranche of $1,060 million.

The initial allocation of SDR took place on January 1, 1970, pursuant to a decision to allocate $9.5 billion during the 1970–72 period. The first allocation under this plan amounted to $3.4 billion of which the U.S. received $867 million, or 25.4 percent. Use of the facility during the first 6 months of 1970 was fairly extensive, and participants gained considerable experience with the technical details of its operation. As of June 30, less developed areas had used about 33 percent of their initial allocations. The United States, Industrial Europe, Canada, and Japan received substantial additions to their SDR holdings, while the United Kingdom made considerable net use of its allocation. By June 30, the United States had purchased an additional $110 million of SDR while selling $20 million thus increasing its holdings by $90 million during the period. As a result of all transactions in

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[1] Fuller discussions of the activities of the International Monetary Fund and the other international financial organizations are included in the National Advisory Council's Annual Report for fiscal year 1970.

[2] See section on foreign exchange developments and operations.

SDR, the IMF's holdings amounted to $244.4 million of SDR at the end of the period.

International development banks

Lending activity by the three international development banks in which the United States has membership—the World Bank, the Inter-American Development Bank, and the Asian Development Bank—expanded substantially during the fiscal year. Proposals were developed to increase the lending resources of each of the institutions in support of anticipated continuing high levels of activity made possible by expanding opportunities for productive use of capital and improved economic performance in the developing countries. These proposals cover special increases in subscriptions to the World Bank parallelling special quota increases in the IMF, increases in the ordinary capital and the fund for special operations of the Inter-American Development Bank, and authority for the United States to join other nations in making a contribution to Asian Development Bank Special Funds. Secretary Kennedy during the second half of the fiscal year testified before Congress in support of required authorizing legislation and the National Advisory Council on International Monetary and Financial Policies prepared a special report on each proposal (House Documents 91–261, 91–281, and 91–344). Annual meetings of each of the institutions were also held during the year, the World Bank in Washington and the others abroad. The U.S. delegation in each instance was headed by Secretary Kennedy in his capacity as U.S. Governor and included congressional advisors.

The international bank group

The International Bank for Reconstruction and Development (IBRD) and its affiliates, the International Development Association (IDA) and the International Finance Corporation (IFC), committed a total of $2.3 billion during the fiscal year—about 22 percent greater than in fiscal 1969—for financing economic development projects in the member countries. The World Bank made new loans of $1,580 million ($181 million more than in the previous fiscal year) mainly to less-developed countries for electric power, roads, railways, education, agriculture, and industry. The World Bank also increased its loan to the IFC by $100 million. IDA credits also showed a sharp increase to $606 million during the year compared with $385 million in 1969. IFC investments, which are made exclusively in the private sector without government guarantee, were made on a loan and equity basis to support increased production in areas such as copper, alumina, cement, petrochemicals, textiles, and printing. Commitments were also made in development banking and tourism. The total, including underwriting commitments, was $112 million.

The loan operations of the World Bank are financed by paid-in capital subscriptions, sales of participations, principal repayments on loans, and earnings on loans and investments. During the year the Bank's outstanding funded debt increased by $487.1 million to the equivalent of $4,568.3 million. The debt includes 89 separate issues, denominated chiefly in U.S. dollars ($2,876.7 million), Deutsche mark ($1,086.8 million equivalent), Japanese yen ($200 million equivalent), and Swiss francs ($180.8 million equivalent).

The World Bank's borrowing during the year totaled $735 million equivalent compared with the previous year's record level of $1,224 million equivalent. The Bank did not issue any securities in the United States during fiscal 1970. New money borrowings in Germany during the year amounted to DM150 million as compared with DM1,600 million in fiscal 1969.

The $735 million borrowed by the World Bank in fiscal 1970 included $362 million equivalent sold to raise new funds and $373 million equivalent of refunding obligations. The principal supplier of new borrowed funds was the Japanese market which lent $200 million equivalent to the World Bank.

The market for the Bank's obligations continued to broaden internationally during fiscal 1970 as is indicated by the estimated division of holdings by investors as of June 30, 1970: About 37 percent in the United States; 29 percent in Germany; 6 percent in Switzerland; 5 percent in Japan; and 4 percent in Canada. The remaining 20 percent is held largely by central banks and other governmental accounts in some 75 countries.

During the fiscal year, the Executive Directors proposed to the Governors two resolutions affecting the capital of the World Bank. One resolution provides for selective increases in the subscriptions to the Bank's capital and the other raises the Bank's authorized capital by $3 billion to $27 billion. The new authorized capital limit will accommodate not only the selective increases in subscriptions but also subsequent subscriptions by new members and possible future upward adjustments in the subscriptions of existing members. The proposed selective increases would raise the subscribed capital of the Bank by $2,222 million to a total of $25,429 million. The U.S. share of the increase is $246.1 million, which will raise the total U.S. subscription to $6,596.1 million.[1]

IDA credits are funded by member subscriptions and contributions, grants from the net earnings of the World Bank, repayment of credits, and earnings. IDA's usable resources, cumulative to June 30, 1970, amounted to $3,230 million of which part I (developed) countries contributed $2,701 million; IBRD grants $385 million; and earnings and repayments on outstanding credits together with contributions of

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[1] See exhibit 40.

part II countries, the balance. As of June 30, 1970, $2,773 million had been committed (net of cancellations) leaving a balance of approximately $457 million available for lending. Under present plans this amount plus any additional amounts which become available during fiscal 1971 (a grant of $100 million from fiscal 1970 IBRD net income has been proposed) are expected to be fully committed by June 30, 1971. With this in view the Executive Directors have recently sent forward a proposed third replenishment of IDA's resources to cover a 3-year period beginning with fiscal 1972. The proposed replenishment calls for total additional contributions, subject to necessary legislative action, of $2,448.17 million of which the U.S. share for the full 3-year period is $960 million. Legislation to authorize the U.S. contribution will be submitted to the Congress next year.

Inter-American Development Bank

At the 11th annual meeting of the Board of Governors of the IDB, held at Punta del Este, Uruguay, April 20–24, 1970, the Governors unanimously agreed to recommend to their governments that appropriate steps be taken not later than June 30, 1971, to adopt two resolutions providing for (1) an increase in the Bank's authorized capital stock by $2 billion, including $400 million in paid-in capital and $1.6 billion in callable capital, and (2) an increase in the resources of the Fund for Special Operations of $1.5 billion.[1]

With the resources made available, the Bank plans to increase its total lending by 50 percent or more over the next several years, i.e., from a recent annual level of roughly $600 million to $900 million or higher. The proposed expansion is characterized by only very moderate increases above the substantial levels of financial support the United States has been giving the Bank but significant increases in the share and levels of Latin America's own contributions.

The Board of Governors at the Punta del Este meetings also adopted a resolution, at U.S. initiative, calling for the study of measures to assure an increased flow of resources to the IDB from nonmember countries. A committee of the Board of Governors was appointed to examine, among other things, possible alterations in the provisions of the Bank's charter that now limit membership in the IDB to countries that are members of the Organization of American States. This committee is to report by the end of the year.

In fiscal 1970, the IDB borrowed $60 million net, with new resources obtained in Europe, Latin America, Japan, and Israel. This com-

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[1] The U.S. delegation to the meeting was headed by David M. Kennedy, Secretary of the Treasury and U.S. Governor of the Bank. Assistant Secretary of the Treasury John R. Petty served as Temporary Alternate Governor. The delegation also included congressional advisors and other ranking officials of the Department of the Treasury and the Department of State. (See exhibit 41.)

pared with $207 million in the preceding fiscal year. The new borrowings included: a $25 million bond sale in Germany; a $11.4 million loan from the Swiss National Bank; an $8 million sale of guaranteed participations to the Bank of Tokyo; and a $34.25 million sale of 2-year bonds to Latin America and Israel, of which $25.35 million represented a rollover of previous borrowings. As a result of the above transactions, the IDB's funded debt on June 30, 1970, amounted to the equivalent of $774.6 million (after sinking fund purchases).

The subscribed capital of the IDB totaled $2,282.3 million equivalent as of June 30, 1970, of which $1,893.8 million was callable capital. An increase of $480.8 million is anticipated early in fiscal year 1971 when action will be completed under an increase of $1 billion in callable capital approved in 1968. The U.S. portion of this increase, $205.9 million, was appropriated by the Congress under Public Law 91–305, July 6, 1970.

The subscribed resources of the Bank's Fund for Special Operations totaled $2,328.0 million equivalent as of June 30, 1970. During the year member countries made their final payments under a $1.2 billion increase in the Fund's resources which had become effective in December 1967. U.S. participation in this increase was authorized by the Congress under Public Law 90–88, approved September 22, 1967. The final payment by the United States under this authorization, amounting to $300 million, was made to the IDB in December 1969.

As of June 30, 1970, the Bank had approved net loans totaling approximately $3.7 billion from its own resources and those of the Social Progress Trust Fund and other administered funds. The estimated cost of the projects financed has greatly exceeded the amount of funds committed. Loan disbursements of $1.9 billion were approximately 51 percent of net commitments through the end of fiscal 1970.

In terms of the distribution of loans by purpose, slightly over $1 billion, or 30 percent of total loan commitments, was channeled into agriculture. Among other purposes, $599 million was approved for industry and mining, $540 million for transportation, $503 million for power, and $465 million for water and sewage.

The Asian Development Bank [1]

During fiscal 1970, the Asian Development Bank approved 20 loans amounting to $95.7 million equivalent, of which 12 loans aggregating $62.0 million were from Ordinary Capital resources and 8 loans totaling $33.7 million were from Special Funds resources. This brought the Bank's loans as of June 30, 1970 to a total of $173.1 million equivalent—$138.4 million from Ordinary Capital resources

[1] For background on the establishment and early operations of the Asian Development Bank, see 1966, 1967, 1968, and 1969 Annual Reports, pp. 64–65, pp. 49–50, pp. 51–52, and pp. 52–54, respectively.

and $34.6 million from Special Funds resources. As of June 30, 1970, the Bank had undertaken 27 technical assistance projects in 13 countries, as well as important regional activities.

With the accession of Fiji to membership in April 1970, the Bank's total membership reached 34, including 21 countries in the region and 13 nonregional developed countries, with subscriptions totaling $979 million.[1]

The fourth of the five $20 million installments on the paid-in portion of the U.S. subscription to the Asian Development Bank was paid during the fiscal year. It consisted of $10 million in cash and $10 million in the form of a noninterest-bearing letter of credit. The fifth and final installment is due in August 1970. Of the $489.5 million subscriptions on paid-in capital for all members, installments totaling $389.6 million had matured as of June 30, 1970.

As of June 30, 1970, Australia, Canada, Denmark, Japan, the Netherlands, and the United Kingdom had offered to contribute a total of $159.5 million equivalent to the Bank's Special Funds, of which $72.5 million had been made available to the Bank. In addition, the $14.6 million set aside in 1968 by the Board of Governor's from Ordinary Capital resources for Special Funds purposes is available for such lending.

On February 25, 1970, President Nixon submitted to the Congress a proposal for a $100 million U.S. contribution to the Bank's Special Funds over a period of 3 years—$25 million in fiscal 1970, $35 million in fiscal 1971, and $40 million in fiscal 1972. The proposed legislation is pending before the Congress.[2]

The Third Annual Meeting of the Bank's Board of Governors was held in Seoul, Republic of Korea, April 9–11, 1970. Secretary Kennedy, U.S. Governor of the Bank, headed the U.S. delegation.[3]

Trade policy

Fiscal 1970 represented another period of intense activity in international trade policy. The administration trade bill was considered during extensive hearings before the House Ways and Means Committee. The bill proposes granting the President authority to make limited tariff reductions; liberalization of the existing escape clause and adjustment assistance criteria; new authority to protect U.S. exports against unfair competition; and elimination of the American Selling Price system of customs valuation.

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[1] France's application for membership with a $25 million subscription was approved by the Board of Governors in April 1970, but procedures within the French Government to permit formal accession had not been completed by June 30, 1970. The accession of France will bring total membership to 35 and total subscribed capital to $1,004 million.

[2] See exhibit 40.

[3] See exhibit 39.

In Secretary Kennedy's testimony in May 1970, in support of the administration's trade bill, he introduced a proposal to amend the Internal Revenue Code to establish a new type of corporation, known as a Domestic International Sales Corp. (DISC).[1] The DISC proposal would reduce current inequities in the tax laws by extending the privilege of deferring taxes on income now enjoyed by foreign subsidiaries of U.S. companies to export income from domestically produced goods. By providing exporters the same tax privileges afforded foreign subsidiaries, positive and substantial benefits for the U.S. balance of payments are anticipated.

In an effort to continue the movement toward freer international trade the contracting parties to the General Agreement on Tariffs and Trade (GATT) continued their examination of nontariff barriers. Special committees on industrial products and agriculture began discussions on possible ways to reduce or eliminate the significant nontariff barriers notified by GATT members. Department of the Treasury personnel played important roles both in the development of U.S. positions for these meetings and in GATT discussions as members of U.S. delegations.

The Department of the Treasury continued to take an active and leading role in international discussions on the GATT rules dealing with border tax adjustment, i.e., the remission of indirect taxes on exports and the levying of compensatory duties on imports. The special GATT working party, established at the request of the United States, completed its background study and established a consultative mechanism.

A major new departure in U.S. policy toward the less developed countries was initiated by President Nixon's decision in favor of U.S. participation in a scheme for generalized tariff preferences for the developing countries. The U.S. proposal, subject to congressional approval, provides for duty-free treatment on imports from the less developed countries for all manufactured and semimanufactured products, with the exception of textiles, shoes, petroleum, and petroleum products. Preferential treatment would also be granted a selected list of primary products. The United States also embarked on a concerted effort to provide greater trade opportunities to Latin American countries by reducing or eliminating tariff and nontariff barriers on products of special interest to them. The Department of the Treasury actively participated in the international discussions in the OECD and UNCTAD which sought agreement on the various preference proposals introduced by the industrialized countries. Department of the Treasury representatives also participated in the spe-

[1] See exhibit 23.

cial U.S.-Latin American discussions on barriers to trade between the United States and Latin America.

To assist U.S. exporters and producers, continued efforts were made during fiscal 1970 to obtain the removal of Japanese quantitative import restrictions and arrive at an agreement on trade in man-made and woolen textiles. The Department of the Treasury participated in the formulation of policy on these subjects and was represented on several delegations involved in direct negotiations with the Japanese Government on these issues. As a member of a special task force on nonrubber footwear, the Department of the Treasury assisted in the development of the administration's proposals to help this industry meet competition from imports.

Organization for Economic Cooperation and Development

The ninth Ministerial Council meeting of the Organization for Economic Cooperation and Development (OECD), in Paris May 20–22, 1970, focused attention on the fight against inflation and agreed that priority must be given to elimination of heightened inflationary pressures. An increase of 65 percent in real national product as a collective growth objective for the decade 1970–80 was set, compatible with the achievement of other objectives of policy such as better long-term price performance. The Secretary-General will also move ahead on the coordination of OECD activities dealing with the environment. The members reaffirmed their resolve that their countries would play their full part in the economic development effort during the second development decade. Assistant Secretary of the Treasury for International Affairs Petty served on the U.S. delegation.

Under Secretary Volcker continued as a member of the U.S. delegation to the Economic Policy Committee of the OECD and as Chairman of the U.S. delegation to its Working Party on Policies for the Promotion of Better International Payments Equilibrium (WP–3). WP–3 devoted much of its attention over the year to examination of monetary developments in the major financial centers and the Eurodollar market and to discussion of individual country situations, notably in light of the exchange rate adjustments by France and Germany. Continuation of efforts to ensure the compatibility of members' balance-of-payments aims was urged by the OECD Ministers at their May meeting.

A staff official of the U.S. Department of the Treasury was elected Chairman of the Fiscal Committee and an ad hoc group met during the year to develop an expanded program of work for the OECD in the fiscal field. A Group of Governmental Experts on Financial Markets (GGEFM) was also formed, with U.S. support, to carry forward OECD efforts to improve capital markets. The GGEFM in turn

created a working group, chaired by a staff official of the Department of the Treasury, to investigate the possibility of developing standard rules for mutual fund operations. The Department of the Treasury also continued to participate actively in the work of other bodies of the OECD, including the Development Assistance Committee, Trade Committee, and Committee for Invisible Transactions and the Group on Export Credits and Credit Guarantees. In addition, an official of the Department of the Treasury regularly represented the United States as an observer at the meetings of the Managing Board of the European Monetary Agreement.

Treasury foreign exchange reporting system

During fiscal 1970, several steps were taken to improve reporting on the Treasury foreign exchange forms by nonbanking business concerns and nonprofit institutions in the United States, which provide an important component of the statistics on capital movements between the United States and foreign countries. The forms on which these firms and institutions file reports were revised and simplified, and a canvass was undertaken of a large number of firms not previously reporting. The canvass added substantially to the reporting panel and increased the level of reported liabilities of nonbanking firms to foreigners by about 20 percent as of December 31, 1969, and the level of reported claims on foreigners by about 9 percent. This increase in reporting by nonbanking firms is expected to result in a significant improvement in the reliability of the capital movements statistics.

Changes were also made in a preliminary report of liquid liabilities to foreigners which is filed by the larger banks in the United States to provide an early indication of monthly balance-of-payments developments. The number of reporting banks was enlarged, and the report was made more responsive to fluctuations in liabilities.

A supplementary instruction was issued to all banks filing on the Treasury foreign exchange forms to clarify their reporting of claims and liabilities arising from refinance acceptances drawn by Japanese agency banks.

Interest Equalization Tax statistical reports

During the fiscal year the statistical reports filed by U.S. commercial banks pursuant to the Interest Equalization Tax were reviewed. In view of the development of essentially similar information in the statistical reports of the Federal Reserve System, the Department of the Treasury eliminated three Interest Equalization Tax reports which had been filed by banks to provide information concerning their foreign branches and their foreign banking subsidiaries.

ADMINISTRATIVE REPORTS

397-702 O—71——6

Administrative Management

Management improvement program

The Department established a goal of $63.5 million to be achieved from management improvement actions in fiscal 1970. Actual benefits at the end of the year totaled $95 million. This sum represents $25.4 million in cost reduction savings and $69.6 million of either increased revenue or interest savings resulting from management improvement actions. The management improvement actions instituted in fiscal 1970 are expected to result in 3-year benefits of $254.7 million.

In conformance with Government-wide instructions of the Bureau of the Budget, the scope of the Department's cost reduction program was enlarged significantly. The new elements included institution of a management effectiveness program, participation in Government-wide studies of common problems, and Presidential recognition of outstanding contributions to the management improvement effort. While the scope of the program was broadened, reporting requirements were reduced and simplified to permit greater concentration on the development and application of improvements.

Under the revised program, the Department is currently participating in the first Government-wide study to improve reporting and reduce related paperwork. Another first was the submission of four nominations for recognition by the President. The nominees were selected for their outstanding achievements in improving management effectiveness and achieving substantial cost reductions in major program areas.

Special studies and projects

The individual bureau reports which appear later contain details of studies and projects carried on by the bureaus to promote economy and efficiency. Among six studies completed at the departmental level were a study of the mission, organization, and management of the Bureau of Engraving and Printing; a study of selected aspects of Treasury law enforcement operations; and a study of the field organization of the Bureau of Customs.

Treasury participation in the foreign technical cooperation programs of the Agency for International Development continues at a relatively high level with teams of customs and tax advisers operating in 23 developing nations. The Treasury program to provide tax policy assistance initially was concerned only with Latin American countries but now has responded to urgent requests for advisory services in several Near East and South Asian countries.

Emergency preparedness

Departmental staff visited Treasury field offices in major cities to assist in an understanding of national policies and the implementation of emergency preparedness directives. The number of such visits was

increased following a recommendation in a study of emergency planning in the Treasury.

Current readiness was maintained at two headquarters' relocation sites established to provide continuity of essential departmental functions in the event of a national emergency. This included training of communications equipment operators, briefing relocation cadres, and updating prepositioned records.

Directives were published on civil defense, protection of vital records, care of dependents of relocatees, and the conduct by bureaus of inspections of emergency preparedness.

Planning and program evaluation

During fiscal 1970 the planning and program evaluation staff:

(1) Developed a simulation model for use in analysis of operations and allocation of resources of the Service Centers of the Internal Revenue Service;

(2) Chaired the Audit Review Committee in a major review of the basic strategy of the tax audit program of the revenue service, leading to recommendations for improving the means of determining audit resource requirements comprising approximately one-third of Treasury's operating budget;

(3) Participated in a study leading to the redefinition of audit classes for the Internal Revenue Service audit program, to improve evaluation of program plans as well as tax administration;

(4) Organized a study team to develop uniform Federal law enforcement statistics on a pilot basis for Treasury law enforcement programs;

(5) Provided liaison and technical advice to the Customs Mail Examination Study, with improved criteria for selection and examination of mail packages for importation; and

(6) Continued preparation of the periodic coin sample to monitor coin supplies and to aid in estimating coin requirements.

Financial management

Budgeting.—Controls of obligations, outlays, and employment were continued this fiscal year. Public Law 91–47, dated July 22, 1969, repealed the personnel limitation provision which had restricted the filling of vacancies. It also established an expenditure limitation for fiscal 1970. Reduced personnel levels, however, were required by the President and monitored by the Bureau of the Budget. The levels set permitted the use of available funds. Controls were continued over the size of motor vehicle fleets, overseas employment, and expenditures relating to international transactions. Supplemental requirements for pay increases under the third phase of Public Law 90–206, dated December 16, 1967, were reduced by the absorption of $5.9, million. The Department also absorbed $9 million in unfunded costs for increased per diem rates, an increase of one-half of 1 percent in the Government's contribution to the civil service retirement fund and other increases in overtime costs and costs of printing.

The House of Representatives passed H.R. 16199 which would provide authority for a working capital fund for certain common services performed by the Office of the Secretary. The Senate had not

acted on this measure at the fiscal yearend. A circular of permanent instructions was issued for preparation and submission of the annual budget estimates of the Department.

Accounting systems.—At the close of fiscal 1970 all Treasury administrative accounting systems had either been approved or were under consideration by the General Accounting Office for approval.

Management of automatic data processing.—The Department used 78 computers, 23,450 man-years and $205 million in its ADP operations during fiscal 1970. These operations, which involved 20 percent of the Department's operating resources, continued to provide significant benefits. Among the tangible and intangible benefits were annual operating savings of 595 man-years and $6.4 million, net additional internal revenue of $595.1 million, increased exchange of data between Federal agencies and State governments, support of law enforcement operations, and more timely service to the general public. Accomplishments in the management of automatic data processing activities included use of new approaches to the procurement of new computers as well as acquisition of two computers excess to other agencies and completion or continuation of studies for new uses of computers in six bureaus.

Internal auditing.—An appraisal was made of the Bureau of the Mint's internal auditing activities, and an audit of Office of the Secretary's payroll activities for fiscal years 1969 and 1970 was substantially completed at yearend. Efforts to strengthen the Department's internal auditing were continued, primarily by assisting the bureaus in such work as revising internal auditing policy statements, reorganizing the internal auditing function, and locating high quality candidates for auditing positions.

Personnel management

Principal attention centered on providing leadership and policy guidance in personnel management areas which have been given special Presidential emphasis. In addition, special assistance was given in activation of the Executive Protective Service and the Consolidated Federal Law Enforcement Training Center, inauguration of a preretirement planning program, and central professional direction of the occupational health program. A priority function for certain bureaus was the need for rapid recruitment of quality personnel to meet new targets for law enforcement complements.

Treasury's equal employment opportunity regulations were updated, new and demanding action plans were developed, a system was designed for maintaining minority statistics by computer, and continued emphasis was given to employment of the disadvantaged and "upward mobility" for lower-grade employees. The midyear census showed an encouraging increase in the number of Negroes in mid-level positions.

New instructions were issued implementing President Nixon's call for increased involvement of young people in the processes of Government. During the summer months the Treasury employed more than 2,500 young people, whose educational levels ranged from potential high school dropouts to graduate students whom the Department hoped to attract to permanent positions.

Implementing policies and regulations were issued, and added staffing and training provided, to effectuate the purposes of Executive Order 11491, Labor-Management Relations, dated October 29, 1969.

The Secretary issued a policy statement emphasizing the importance of improved personnel management, the Under Secretary was assigned a central role in the personnel management evaluation program, and a departmental implementation plan for program evaluation was developed for issuance early in fiscal year 1971.

Implementing directives were issued to give effect to such special employment programs as (*a*) the veterans' readjustment appointment program, providing for the hiring of returning military veterans; (*b*) a program calling for expanded use of cooperative work-study agreements with Negro colleges as a means of offering opportunities to qualified minority group members and of meeting departmental manpower needs; and (*c*) placement of employees subject to reduction in force, primarily Defense Department surplus employees.

The Office of the Secretary fostered the systematic exchange of supergrade spaces within Treasury to get maximum benefit from the scarce supply, and continued to make full use of executive training facilities. Numerous changes in executive assignments were made in response to program needs of the new Administration.

The Office of Personnel assisted in personnel planning and staffing for the new Consolidated Federal Law Enforcement Training Center, and successfully negotiated with the Civil Service Commission for the authorization of simplified appointment procedures (schedule B) to facilitate the tripling of the Executive Protective Force, formerly the White House Police.

The preponderance of training continued to be in-service for required professional and technical development. Attendance at the 5-week Treasury Law Enforcement School program rose from 389 in fiscal year 1969 to 845 in fiscal year 1970. Executive and management development efforts of the bureaus were supplemented by the attendance of 21 Treasury executives at the Federal Executive Institute 8-week course in Charlottesville and of 107 middle management personnel at the Civil Service Commission Executive Seminar Center 2-week courses. A total of 3,457,891 man-hours of training was provided to Treasury employees during fiscal 1970.

The suggestion program was modified to restrict recognition of suggestions to those contributing to economy, efficiency, and effectiveness of operations. Estimated first-year benefits from employee suggestions totaled $902,524 and similar benefits recognized by special achievement awards brought the total to $1,668,579.

The occupational health program was strengthened by the appointment in April of Treasury's first medical director.

A model preretirement planning program was presented for the benefit of eligible Washington-area employees and as a pattern for field programs.

Administrative services

Exhibit Hall.—The Treasury Exhibit Hall was in the final phase of extensive redevelopment at the fiscal yearend. The reorganized exhibition was designed to show the origin of Treasury's missions and

correlate the growth of Treasury's responsibilities with the history of the nation.

Property and space.—By maintaining liaison with all Treasury activities the Department insured that items no longer needed by one organization were transferred to another, thus avoiding new procurement. From the end of the first quarter 1969 to the end of the first quarter 1970, over $2.5 million worth of personal property was reassigned within the Department. Treasury also obtained personal property valued at over $3.6 million from other Federal agencies without reimbursement, and about $52,000 was realized from the sale of surplus personal property. Treasury transferred nearly $850,000 in personal property to other Federal agencies for their use. To assist certain organizations outside the Federal community, such as State bodies and nonprofit groups, Treasury donated about $700,000 worth of personal property no longer needed by the Federal Government.

The Department's program to consolidate purchases resulted in 29 blanket purchase agreements and savings of approximately $295,000.

With overall space of 18.5 million square feet, Treasury increased its space by only 1 percent in spite of major expansion of its enforcement activities and service programs.

Safety.—Treasury's safety efforts produced a relatively low rate of job-connected lost-time injuries and property damage. The personal injury record is 50 percent below the Government-wide average.

Communications.—Plans were completed at the end of the fiscal year for an integrated Customs communications system along the U.S./Mexican border. When within range of a station, this system will provide the Customs law enforcement agent with communications to anywhere in the world. When completed, the system will be operated continuously and will provide service to all radio operations along the border. One-hundred and fifty people would have been required to maintain 24-hour operation at 30 border points. This system will provide the same operation with 15 people at a savings of $1.6 million in salaries alone. The system is expected to be fully installed and operating in fiscal 1971.

Security activities

During fiscal year 1970 physical security inspections were conducted within the Office of the Secretary, bureau headquarters offices, and 84 bureau field offices.

In the personnel security program, 1,138 sensitive cases, 206 nonsensitive cases, and 334 reinvestigation cases were processed.

Law Enforcement

Office of Law Enforcement

On March 30, 1970, the Office of Law Enforcement was formally established. Operating under the direction and supervision of the Assistant Secretary for Enforcement and Operations, it provides him with advice and assistance in the direction of Treasury-wide law enforcement programs and in the development or approval of broad policy decisions relating to them.

Included among its functional assignments are: Providing leadership for the Treasury Law Enforcement Council; review of plans and programs for suppression of smuggling, including narcotics and dangerous drugs; providing leadership, coordination, and participation in the organized crime drive; and providing liaison with the Justice Department and other Federal agencies, along with State and local enforcement agencies.

In addition, the Office is responsible for the Treasury field coordinator program, designed to bring local Treasury enforcement personnel in contact with other Federal, State, and local enforcement personnel. The Office of Law Enforcement also has a broad range of responsibilities and concerns, including overall planning affecting law enforcement personnel, technical research, new developments in investigative technology, and developments affecting law enforcement generally.

Office of Operations

The Office of Operations was established on March 30, 1970. Under the direction and supervision of the Assistant Secretary for Enforcement and Operations, the Office reviews policy and program matters concerning the operations of the Bureau of the Mint, the Bureau of Engraving and Printing, and the Bureau of Customs and, as appropriate, coordinates such matters with other offices of the Department of the Treasury and other departments and agencies.

Principal problem areas under consideration by this office since it has been established and during the fiscal year include reduction of passenger and cargo congestion at airports; prevention of cargo theft and pilferage; automation of merchandise entry processing; studies of the organization of Bureau of Customs offices and field units; designation of new ports of entry; new facilities for Customs border stations; charges to private aircraft and boats for overtime services by Customs; review of preclearance operations in Canada, Bermuda, and the Bahamas; guidelines for mitigation of Customs penalties; reexamination of overseas personnel assignments (OPRED); Customs' contribution to the control of black marketing and currency manipulation in Vietnam; Customs' intensified campaign against drug smuggling; and cooperation of the Internal Revenue Service and Customs in processing imported spirits at distilleries.

Office of Tariff and Trade Affairs

The Office of Tariff and Trade Affairs was created in March 1970. It operates under the direction and supervision of the Assistant Secretary for Enforcement and Operations. It provides advice to the Assistant Secretary in the administration of the Antidumping Act and the Countervailing Duty law, and in reviewing decisions made by the Bureau of Customs which can have a significant policy impact in the tariff and trade field. The office also provides the Assistant Secretary with policy advice concerning the interrelationships of technical Customs decisions and their broad impact on the Administration's international trade policy.

Office of the Comptroller of the Currency

The Comptroller of the Currency, as the Administrator of the National Banking System, is charged with the responsibility of main-

taining the public's confidence in the System by sustaining the banks' solvency and liquidity. An equally important public objective is to fashion the controls over banking so that banks may have the discretionary power to adapt their operations sensitively and efficiently to the needs of a growing economy.

Office operations

During fiscal 1970, a continuing review of the bank examination function resulted in several actions to improve the effectiveness of examinations. An internal advisory committee was established, composed of bank examiners proficient in electronic data processing (EDP) and representatives of management. This committee was formed to function as a focal point for the office in evaluating, resolving, and disseminating technical problems and improvements in the examining process through the expanded use of EDP methods in the banks.

An accelerated program of management improvement through organizational review was conducted in fiscal 1970. Headquarters personnel visited several regional offices to study and improve administrative procedures in the field and to aid in reorganization where necessary. Concurrently, the administrative support staff in Washington refined procedures to effectively respond to the needs of field operations, among them: An improved space management program, a reorganization of supply and property management functions, greater use of automation in reports preparation, and major format revisions to the report of examination.

Personnel

Personnel administration continued to explore new programs in fiscal 1970 to provide a more progressive personnel management program. A review of administrative organizations and positions resulted in new organizational and functional charts, documented descriptions of most positions, and identification of workload needs and surplus positions. This action provided the Office with a more meaningful basis for recruitment, promotions, and performance requirements. Personnel studies were broadened during this period to examine positions in the regional offices with the objective of establishing duties and responsibilities for standard clerical positions and developing appropriate grade patterns and career ladders. Additionally, a formal pay policy covering all positions was established to provide a systematic approach for determining proper grade levels and equitable pay rates for all employees within the Office.

The employee development program was strengthened during fiscal 1970. A supervisory handbook was drafted which outlines the basic responsibilities of supervisors in carrying out their personnel and administrative functions. The handbook emphasizes supervisory objectives, principles, and guidelines, and supplements a basic training course for supervisors now under development. A school for newly commissioned national bank examiners was inaugurated in fiscal 1970 with the objective of providing guidance and information on effective examining techniques.

Fiscal management

In fiscal 1970 a comprehensive and timely financial management information system was developed and implemented. This system has provided decisionmakers with necessary information on income and expenses for every functional entity within the Comptroller's Office and has aided in deriving more meaningful projections and budget data. In the continuing program of mechanizing accounting operations, the inventory of capitalized nonexpendable property was converted from a manual to a machine procedure, thus improving the speed and accuracy of accounting and property management operations.

The internal audit function was strengthened by recruiting additional professional employees and by broadening the area of general inquiry into financial matters and organizational entities and operations. A significant achievement during fiscal 1970 was the development of a comprehensive audit program to be implemented in fiscal 1971.

Information services program

The purpose of this continuing program is to make the policies and procedures of the Office of the Comptroller of the Currency better known and to facilitate communications among the Office, the banking industry, and the general public.

Basic publications available to employees, banks, and other interested parties are: "Comptroller's Manual for National Banks," "Comptroller's Manual for Representatives in Trusts," and the monthly "Summary of Actions." The "Directory" also is published and contains the address and telephone number of every decisionmaking official in the Office together with his picture and a biographical sketch. The "Annual Report of the Comptroller of the Currency" is available to interested parties and contains a general statement of policy, descriptions of the state of the National Banking System, of Office operations, and reprints of selected Office documents relating to crucial public issues in banking.

Status of national banks

At the end of fiscal 1970, the number of national banks in operation was 4,638, compared to 4,701 a year previously. Virtually all of the decrease was accounted for by absorptions through mergers. Total offices of national banks reached 16,553 at June 30, 1970. This figure included 11,915 branches, a total 6.6 percent larger than that of 1 year before.

Total assets of the 4,638 national banks reached $312.6 billion at the end of fiscal 1970, a figure higher by $7.7 billion than the $305.9 billion amount a year earlier. The 2.5 percent increase was sharply lower than the 15.3 percent rate during fiscal 1969. The monetary tightness was reflected in figures for total demand deposits and total time deposits which grew only slightly during fiscal 1970. The net income of national banks during calendar 1969 was $2.53 billion, compared to $1.93 billion during calendar 1968. The respective income figures are not fully comparable because of changes in reporting format.

Number of national banks and banking offices, by States, June 30, 1970

	National banks		With branches	Number of branches	Number of offices
	Total	Unit			
United States	4,638	3,033	1,605	11,915	16,553
Alabama	89	47	42	184	273
Alaska	5	0	5	48	53
Arizona	4	2	2	209	213
Arkansas	68	35	33	81	149
California	64	11	53	2,328	2,392
Colorado	121	118	3	3	124
Connecticut	26	7	19	212	238
Delaware	5	3	2	4	9
District of Columbia	11	1	10	67	78
Florida	213	213	0	0	213
Georgia	62	31	31	161	223
Hawaii	1	0	1	8	9
Idaho	8	2	6	107	115
Illinois	414	367	47	47	461
Indiana	123	51	72	325	448
Iowa	99	60	39	53	152
Kansas	171	142	29	29	200
Kentucky	80	36	44	138	218
Louisiana	49	12	37	174	223
Maine	20	4	16	94	114
Maryland	44	12	32	246	290
Massachusetts	85	21	64	408	493
Michigan	99	28	71	546	645
Minnesota	199	197	2	6	205
Mississippi	38	6	32	139	177
Missouri	98	76	22	22	120
Montana	49	48	1	1	50
Nebraska	126	104	22	23	149
Nevada	4	1	3	56	60
New Hampshire	50	27	23	48	98
New Jersey	131	22	109	642	773
New Mexico	33	8	25	69	102
New York	172	69	103	1,212	1,384
North Carolina	22	3	19	523	545
North Dakota	42	32	10	10	52
Ohio	217	73	144	714	931
Oklahoma	208	173	35	35	243
Oregon	10	3	7	243	253
Pennsylvania	304	148	156	991	1,295
Rhode Island	5	0	5	91	96
South Carolina	20	4	16	234	254
South Dakota	33	24	9	57	90
Tennessee	77	17	60	272	349
Texas	527	527	0	0	527
Utah	10	6	4	64	74
Vermont	26	12	14	47	73
Virginia	102	27	75	454	556
Washington	27	10	17	424	451
West Virginia	84	84	0	0	84
Wisconsin	122	89	33	60	182
Wyoming	40	40	0	0	40
Virgin Islands	1	0	1	6	7
District of Columbia (all) [1]	14	1	13	102	116

[1] Includes national and nonnational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.

Assets, liabilities, and capital of national banks, selected dates

[In millions of dollars]

	June 30, 1969 (4,701 banks)	Dec. 31, 1969 (4,669 banks)	June 30, 1970 (4,638 banks)
ASSETS			
Cash, balances with other banks, and cash items in process of collection	$52,283	$54,727	$51,953
U.S. Government securities [1]	34,355	29,589	33,003
Obligations of States and political subdivisions [1]	35,640	34,526	37,064
Other securities [1]	1,435	6,002	1,460
Total securities [1]	71,430	70,117	71,527
Federal funds sold and securities purchased under agreements to resell	4,070	5,809	6,544
Direct lease financing	647	696	759
Loans and discounts [1]	166,832	171,702	169,915
Fixed assets	4,746	5,280	5,557
Customers' liability on acceptances outstanding	1,687	1,838	2,229
Other assets	4,211	3,879	4,137
Total assets	305,906	314,048	312,621
LIABILITIES			
Demand deposits of individuals, partnerships, and corporations	97,217	105,961	98,207
Time and savings deposits of individuals, partnerships, and corporations	107,150	103,238	105,859
Deposits of U.S. Government	3,722	3,175	5,200
Deposits of States and political subdivisions	20,237	19,569	20,803
Deposits of foreign governments and official institutions, central banks, and international institutions	2,935	2,138	4,636
Deposits of commercial banks	14,337	16,649	14,866
Certified and officers' checks, etc	5,987	5,696	4,811
Total deposits	251,585	256,426	254,382
Demand deposits	131,015	141,092	133,342
Time and savings deposits	120,570	115,334	121,040
Federal funds purchased and securities sold under agreements to repurchase	7,763	9,947	11,346
Liabilities for borrowed money	2,132	2,284	1,715
Acceptances executed by or for account of reporting banks and outstanding	1,708	1,880	2,267
Other liabilities	16,701	16,472	15,000
Total liabilities	279,889	287,009	284,710
RESERVES ON LOANS AND SECURITIES			
Reserves on loans	3,269	3,698	3,710
Reserves on securities	113	87	89
Total reserves on loans and securities	3,382	3,785	3,799
CAPITAL ACCOUNTS			
Capital notes and debentures	1,142	1,120	1,136
Preferred stock	59	62	63
Common stock	6,090	6,166	6,357
Surplus	10,287	10,488	10,438
Undivided profits	4,368	4,707	5,437
Reserves	689	711	681
Total capital accounts	22,635	23,254	24,112
Total liabilities and capital accounts	305,906	314,048	312,621

[1] Gross, reserves not deducted.

Résumé

The Office of the Comptroller of the Currency continues to change and grow with the national economy and the banking industry. Internal operations and administration are undergoing constant refinement and improvement in order to better serve the public whose demands must be met.

Bureau of Customs

The Bureau of Customs has the mission of collecting revenue on imports and of enforcing the laws regarding controlled and prohibited exports and imports. Its tasks include the assessment and collection of duties and taxes; control of carriers, persons, and merchandise entering or departing the United States; administration of the tariff and related laws affecting international trade and traffic; detection and prevention of smuggling and frauds on the revenue; and regulation of vessels in the coastwise and fishing trades. The Customs Service has special programs to inform the public of its requirements and encourages voluntary compliance by the international trading community with the laws, regulations, and controls established by Customs and numerous other Federal agencies.

Customs assigns high priority to its enforcement efforts in support of the President's urgent program to prevent the illicit introduction into the United States of narcotics, cocaine, hashish, marihuana, and dangerous drugs. During fiscal 1970 this effort was greatly intensified through increased inspections, reassignments, and the addition of new employees.

The most dramatic effort of the fiscal year was Operation Intercept/Cooperation on the Mexican-United States border. On September 21, 1969, Operation Intercept was launched at 31 ports of entry along the Mexican border with the objective of interdicting the flow of marihuana and narcotics into the United States. It consisted of highly intensified examinations of all persons, cargo, and mail arriving from Mexico. Normal Customs staffing at border points was increased 66 percent, through temporary duty assignments plus augmentation from other Federal inspectional agencies. A wide assortment of additional equipment was provided to border offices, including trailers, flood lights, auto lifts, radio cars, pursuit aircraft and patrol boats.

A major result of the campaign, which was later renamed Operation Cooperation, was the increased effort of the Mexican Government, working with growers and suppliers of marihuana in the Mexican provinces, to eradicate the sources of this dangerous contraband. Mexican and U.S. Customs are continuing to work closely to combat the narcotics problem.

The Customs Agency Service now has rapid access to intelligence information through a new computer service known as CADPIN. Presently the system is in full use in the California area, in partial operation along the Mexican border, and scheduled to become nationwide within 6 months.

A Congressional supplemental appropriation in December 1969 of $8.75 million was used to add to Customs' capabilities to combat drug smuggling: 307 criminal investigators; 378 inspectors; over 200 supporting staff; five aircraft and two patrol boats; 148 passenger cars for police type use; 40 trailers for housing in isolated areas along the Mexican border; additional electronic and radio equipment; and two new offices in the remote Big Bend area of Texas.

On June 1, 1970, Customs utilized these new resources to initiate a program of intensified examination, particularly of air traffic and commercial cargo, with special concentration on the Canadian border

and the eastern seaboard which included a new "re-check" procedure for "precleared" passengers from Canada, Bermuda, and Nassau. (The first precleared flight that was rechecked resulted in the seizure of nearly $1 million worth of cocaine.) During the first month of the intensified inspections more than 9 tons of marihuana and significant quantities of illicit drugs were seized and 335 persons arrested.

For more details on the antidrug smuggling program, see speech of Assistant Secretary Eugene T. Rossides on April 16, 1970.[1]

In addition to the study of the Customs Agency Service reported under investigative activities, a study, looking toward the reorganization of the New York region, was completed and submitted to the Assistant Secretary for approval. An extensive joint Department-Bureau study of the regional-district-port structure was concluded at yearend. A study recommending relocation of the security and audit functions within Bureau headquarters was made and awaits Department concurrence.

Customs Courts and Administrative Reform Act.—On June 2, 1970, the President signed into law an act which modernizes the procedures of the U.S. Customs courts and the Bureau of Customs, effective on October 1, 1970.

Designed to change an antiquated system that is so complex it has led to a backlog of some 400,000 cases in the Customs Court, the new law permits Customs to determine all elements of duty liability in a single step, provides longer periods for filing a protest, and allows routine administrative review before court action. Only one judge is required to conduct a trial and cases do not automatically go to the court for action without a new initiative by the importer. The act also permits consolidation of similar cases and reduces the volume of paperwork. Court filing fees will now be required as in other U.S. courts.

Cargo theft program.—A 10-month study of theft and pilferage of international cargo at airports and seaports of entry culminated in a Customs program of proposed regulations and legislation to eradicate this growing cancer on trade and commerce. This program was announced by Assistant Secretary Rossides in testimony before the Senate Select Committee on Small Business on June 24, 1970.[2] Public comments on the proposed rulemakings and interdepartmental clearances on the legislation are still being received.

Overtime charges for private aircraft and vessels.—Owners and operators of private aircraft and vessels have complained for many years about the large charge often incurred as a result of the requirement that the overtime compensation paid to inspectors for clearing arrivals outside regular working hours must be reimbursed to the Government by the parties served. Whenever possible, the total overtime charge is prorated over all the arrivals during the overtime period. However, for a single entry under certain conditions the charge could amount to nearly $100. In Public Law 91–258, effective July 1, 1970, a Treasury-developed provision will limit the reimbursement chargeable for a single arrival to $25. If the prorating process

[1] See exhibit 31.
[2] See exhibit 33a.

results in a charge less than $25, the private party will continue to receive the benefit of the lower sum.

Cost reduction/management improvement program

During fiscal 1970 this program resulted in savings of $4,534,000. Of this amount $770,780 was cost reduction, $3,613,598 was cost avoidance, and $149,662 was savings to other agencies. The savings were used in the Customs Service to handle the workload without adding to staff or expenditures.

Bureau operations

Collections.—Revenue collected by Customs during fiscal 1970 of $3.30 billion, showed an increase of 1 percent over 1969, making this the year of highest receipts in the history of the Bureau. Collections and payments by customs regions and districts, as well as the major classes of all collections made by the Bureau of Customs, are contained in the Statistical Appendix. The cost of collecting $100 was $3.92, as compared with $3.08 in fiscal 1969. The increased cost was due principally to greatly increased enforcement activities which were largely nonrevenue producing.

Carriers and persons entering.—Nearly 226 million persons, arriving either as pedestrians or on the nearly 66 million carriers entering, were inspected by Customs during fiscal 1970. There was a 0.8-percent decrease in persons arriving and a 2.1-percent decrease in carriers over fiscal 1969. (See Statistical Appendix.)

Entrance and clearance of vessels.—The following table compares entrances and clearances of vessels for fiscal years 1969 and 1970.

Vessel movements	1969	1970	Percentage increase
Entrances:			
Direct from foreign ports	49,500	48,063	−2.9
Via other domestic ports	36,462	41,293	13.3
Total	85,962	89,356	4.0
Clearances:			
Direct to foreign ports	48,650	47,693	−2.0
Via other domestic ports	36,396	41,732	14.7
Total	85,046	89,425	5.2

Entries of merchandise.—The value of imports reached $38.2 billion in fiscal 1970 as compared to $34.1 in 1969, an increase of 11.8 percent. Volume and type of entries handled during the last 2 years are shown in the Statistical Appendix.

A total of 20 percent of all entries were free of duty.

Audits.—Internal audit activities for fiscal 1970 emphasized internal controls, purification of data processing services to field management, and controls over merchandise in customs custody, including review of entry liquidations.

During the year 226 offices were examined; 77 internal audit reports, 204 commercial audits of brokers and 11 cost system audits (wool) were made; and 47,911 liquidations were verified, taking 1,435 corrective actions.

Security.—A total of 1,971 personnel investigations were made during fiscal 1970. Of 1,652 full field investigations, 980 were conducted by Civil Service Commission investigators under contract arrangements with the Bureau made necessary by the greatly increased recruitment program under the supplemental appropriation.

A total of 213 personnel conduct and special inquiries were opened, 230 were closed, and 38 were pending at the end of the fiscal year. There were 801 critical-sensitive clearances, and 400 noncritical-sensitive clearances. A total of 27 field offices were inspected to assure compliance with Treasury orders and Executive orders relative to safeguarding classified material.

Equal employment opportunity.—The Bureau made extensive efforts to recruit inspectors and agents from minority groups, including many visits to predominantly black campuses, often by black recruiters. Campus recruiting was only moderately successful because of a lack of interest and a lack of students in related fields. Region VI (Houston, Tex.) was extremely successful in hiring Mexican-American candidates. Female candidates were also hired. A program for selecting and training equal employment counselors was developed.

Foreign customs assistance.—A 10-man team is in Saigon, Vietnam, advising the Vietnamese Customs Service and supervising the AID funded commercial import program and the Customs boat fleet. Of this effort, Assistant Secretary Rossides stated in testimony delivered before the Permanent Subcommittee on Investigations of the Senate Committee on Government Operations, "The U.S. Customs is playing a significant role with the limited resources we have available in Vietnam in advising Vietnamese Customs personnel and promoting better liaison with U.S. law enforcement agencies in Vietnam. * * * The Bureau of Customs is also providing a training program in the United States for Vietnamese Customs officers. Since January 1970 six members of the Vietnamese Fraud Repression Service underwent a 2-month training program at Bureau headquarters, at the Customs National Training Center on the campus of Hofstra University, and at Customs Agency Offices."

During the year the value of seizures in Vietnam increased 519 percent, cases investigated 24 percent, and fines collected 229 percent.

Three advisory teams in Latin America (Argentina, Colombia, and Panama) were terminated on June 30, 1970. A team remains in Costa Rica and a temporary detail in Brazil. One advisor is maintained in Afghanistan and a two-man team in Ethiopia.

During fiscal 1970 there were 138 foreign participants from 29 nations who received Bureau of Customs orientation in the office of Foreign Customs Assistance. They were given training in various fields, including organization and management; inspection of baggage and cargo; airport, seaport and border port procedures; merchandise control; warehouse operations; foreign zones; investigative techniques, internal audit, fiscal operations, drawback, classification and value procedures; and personnel administration. In addition to the training facilities at the National Training Center at Hofstra University, Hempstead, N.Y., those at Laredo, Tex., were used.

Planning and research.—The Director of Planning and Research served as project manager for the contract study of an automated

merchandise processing system. Phase I, describing the conceptual elements of the process, was completed at midyear. Phase II to produce a detailed systems design will continue through October 1970.

Revisions in the random time sampling system were made in October 1969. Customs field officers were provided with percentage factors derived from the sampling for use in determining manpower requirements for the Planning-Programing-Budgeting System (PPBS). Customs manpower devoted to performing functions for other Federal agencies is being analyzed through the time sampling process.

Facilities management.—During fiscal 1970 a new Canadian border station was completed and is in full operation at Point Roberts, Wash.; sites were acquired and housing and office facilities provided for two new crossings on the Mexican border, now in operation at Boquillas and Heath Crossing, Tex.

A joint mail facility in cooperation with the Post Office Department was completed at Oakland, Calif.; and a truck weighing station was constructed by Customs at Castle Island, Boston, Mass. Engineering assistance was provided to the Immigration and Naturalization Service for a new check point facility at San Clemente, Calif., with Customs completing the structural design.

Requirements were developed and funds obligated to GSA to accomplish the following projects in support of the present Customs intensified enforcement effort: Search and hold rooms, lifts and canopies at various locations in the Houston, Tex., region; three emergency generators in the Boston, Mass., region; a temporary commercial truck crossing at San Ysidro, Calif.; a temporary truck inspection area at San Luis, Ariz.; a highway bus passenger inspection facility at Pacific Highway crossing, Blaine, Wash.; secondary inspection facilities at Peace Arch Crossing, Blaine, Wash.; and secondary inspection facilities at Douglas, Ariz.

Space arrangements and special requirements for the new consolidated Customhouse at the World Trade Center, New York, N.Y., were accepted by the General Services Administration and the lease was signed June 3, 1970. In addition to the expenditure of approximately $900,000 for new laboratory equipment, funds totaling some $280,000 have been made available to GSA to provide equipment for the mechanization of examining areas plus other special needs in the building.

Procurements involved some 400 actions, totaling approximately $4 million. This exceeds by 400 percent the activity in previous years. Narcotics testing kits for use in identification of drugs, three communications sector control consoles, and new improved handguns for all agents were among the items purchased.

New truck-mounted fluoroscopes were procured and larger conveyor type film-safe X-ray fluoroscopes for use in mail facilities at Chicago, Ill., and San Francisco, Calif., were ordered. Undercar scanners and searchlights were redesigned to improve efficiency.

Contracts were let for the housing of students at the National Training Center, for Spanish language training for agents and inspectional personnel, and for systems analyst training courses at two different universities. Equipment was installed at San Diego, Calif.,

397-702 O—71——7

for a computer center to process enforcement intelligence information. A 365/50 IBM computer for the Bureau's Data Center in Silver Spring, Md., was obtained through the GSA excess program at a saving of $200,000.

Personnel.—The Bureau of Customs undertook an intensified recruiting drive in implementing the supplemental appropriation to strengthen the antidrug smuggling and organized crime program. The result was a net increase of over 800 employees between January and June 1970. In addition, over 500 employees were recruited to replace customs employees who left during this period. Over 50 percent of the new Customs inspectors and special agents hold college degrees.

On June 30, 1970, the Bureau of Customs had 10,343 full-time permanent employees. This was 23 short of authorized strength.

Training.—The sudden input of hundreds of new agents and inspectors into the Customs Service created critical problems in training. These were resolved by quadrupling the number of classes at the National Training Center during the fiscal year. Beginning in January, some 500 inspectors and over 150 special agents completed basic and advanced training courses.

To establish a pool of customs employees capable of directing automated merchandise processing operations, a systems analysis training program was developed at Customs' National Training Center and 40 employees were trained in these skills.

At the request of the Department of Defense, operations officers, together with field officers and supervisory inspectors, established and operated a baggage inspection training program in South Vietnam for a period of 6 months. Approximately 900 military and security police were trained on-site at various embarkation points. These military personnel, under the supervision of the customs team, cleared 50,000 troops redeploying to the United States. Except for occasional spot checks, such inspection eliminated the need for further processing upon arrival and permitted military units to redeploy directly to their bases.

Antidumping and countervailing duties.—A total of 23 antidumping cases were initiated during the year, and 23 were closed. Of the 23 cases closed, seven were referred to the Tariff Commission with determinations of sales at less than fair value; five were closed out with determinations of no sales at less than fair value on the basis of price revisions and assurances of no future sales at less than fair value. The remaining 11 cases that were closed during the year resulted in determinations of no sales at less than fair value, no dumping margins having been found. Five findings of dumping were issued during the year and 33 cases remained on hand at the yearend.

Tariff classifications.—During fiscal 1970, 841 applications for free entry of scientific instruments and apparatus were processed, compared to 706 in 1969. A total of 7,702 letters of inquiry were answered in 1970, compared to 7,258 in 1969.

A Legal Precedent Retrieval System which provides a printout of all Tariff Classification abstracts and Customs Court and Court of Customs and Patent Appeals decisions published since 1963, when the Tariff Schedules of the United States came into use, was placed

in operation in fiscal 1970. The system allows Customs law specialists to retrieve decisions without the manual search through various sources previously required.

Regulations.—Rules have been proposed to amend Customs Regulations to substitute, so far as possible, four of the six standardized model forms of the Intergovernmental Maritime Consultative Organization (IMCO) for certain customs forms presently in use in connection with the arrival and departure of vessels in foreign trade. The present combined form of passenger and crew list, Customs and Immigration Form I0418, will remain in use pending further study.

To implement the Customs Convention on the International Transport of Goods under Cover of TIR Carnets, a notice of proposed rulemaking was published under which documentation would consist of a "TIR Carnet," a booklet containing a manifest and a number of vouchers and counterfoils which are completed by customs officers when the goods enter, leave, or transit a country.

Czechoslovakia, Austria, Mauritius, and Malaysia were added to the list of nations which are exempt from the payment of special tonnage tax and light money.

Upon receipt through diplomatic channels of assurances of reciprocity to vessels of the United States, the Customs Regulations were amended to extend to vessels of Greece and Liberia the privilege of transporting cargo containers and related items between U.S. ports. The Federal Republic of Germany, Liberia, and France were extended similar reciprocal privileges with respect to containers and lash-type barges.

Treasury Decisions were published designating automotive frame spacers, devices to secure automobiles within containers, drums for antiknock compound, and three and four-legged holders used to transport wire coil as instruments of international traffic.

In the current general revision of the Customs Regulations, the revised parts are being numbered from 101 to 199 and arranged in a different order. Six parts of the regulations were revised and adopted, effective June 13, 1970.

Drawback.—To reduce the volume of paperwork in the drawback program, section 22.18 of the Customs Regulations was amended by Treasury Decision 70–94 to provide that under certain circumstances a single corporate notice of lading may be filed monthly to cover deliveries to vessels of fuel supplies with benefit of drawback. Previously a separate notice was required for each lading.

Also, proposed amendments to the Customs Regulations were published which would eliminate the notice of exportation, Customs form 7511, now prepared solely for drawback purposes and required to be filed for each shipment. Under the proposal, the claimant would file a copy of an export document already prepared for other purposes, such as a bill of lading.

The total drawback allowance paid during fiscal 1970 amounted to $40,088,887, as reflected in the Statistical Appendix. Drawback allowance on the exportation of merchandise manufactured from imported materials amounts to 99 percent of the customs duties paid at the time the goods are entered.

Protests.—Protests filed by importers against the rate and amount of duty assessed and appeals for reappraisement filed by importers who did not agree with the customs officers on the value of merchandise are shown in the following table.

Protests and appeals	1969	1970	Percentage decrease (−)
Protests:			
Filed with district directors by importers (formal)	66,500	66,448	−0.08
Filed with district directors by importers (informal)	94,041	66,687	−29.09
Appeals for reappraisement filed with district directors	13,582	12,952	−4.64

Penalties.—Decisions were made on 762 penalty cases in 1970. A total of $31,434 was paid to 37 informers.

Penalty cases, fiscal year 1970

Type of case	Number	Full statutory liability of violators [1]
Penalty and forfeiture	655	$113,289,060
Liquidated damages	107	2,340,863
Total	762	115,629,923

[1] Subject to mitigation in appropriate cases by the Bureau or by the courts.

Net liability imposed by penalty decisions, 1969 and 1970

Type of case	1969	1970
Penalty and forfeiture cases	[1] $63,976,548	$3,561,863
Liquidated damages	223,996	143,372
Total	[1] 64,200,544	3,705,235

[1] Includes 1 case involving $61,778,940.

Restricted merchandise.—Approximately 1,600 cases involving import restrictions, prohibitions, or controls were handled during the year. These included country of origin marking and various label requirements; use of foreign convict labor; trademarks, copyrights, and patents; obscene matter, contraceptive devices, lottery or seditious materials; birds, plumage, eggs, and wild animals; switchblade knives; Federal and State liquor laws; and technical matters arising under the International Coffee Agreement.

There were recorded 159 trademarks, trade name renewals, assignments and name changes, and 68 copyrights; 10 patent surveys, or renewals, were approved. A total of $40,460 of recordation and related fees was collected for these services.

Ports of entry seized and disposed of approximately 25,000 prohibited switchblade knives, the great majority having been personal importations in baggage.

Bureau headquarters reviewed under the obscenity provisions 20 commercial feature-length motion pictures, finding seven such films

inadmissable to entry. Six additional feature films were seized at ports of entry.

Approximately 300,000 pieces of screened mail, principally examined at the port of New York, N.Y., contained obscene materials and approximately 250,000 pieces contained lottery materials.

Notable Customs litigation included two cases involving personal importations of "hard core" obscene matter in the districts of Los Angeles and New York, in which the courts with appellate jurisdiction ruled 19 U.S.C. 1305 an unconstitutional repression of First Amendment rights. A seized motion picture was also ordered released on the same grounds in the Los Angeles district. The Justice Department is seeking United States Supreme Court reversals in consolidated proceedings.

Containerization.—Treasury Decision 69–216 implemented Resolution No. 24 of the Working Party on Customs Questions Affecting Transport, of the United Nations Economic Commission for Europe, of which the United States is a participating member. This permits containers loaded with merchandise and admitted as instruments of international traffic to be used in point-to-point local traffic on a route which would bring the container by a reasonably direct route to, or nearer to, the place where the export cargo is to be loaded or where the container is to be exported empty.

Treasury Decision 70–72 (24) provided that lash-type barges which are dropped off and taken aboard the mother vessel outside U.S. territorial waters are subject to the usual entry and clearance requirements applicable to vessels in the foreign trade.

Treasury Decision 70–101 (2) declared that a container brought into the United States to be leased to others for a use in international traffic planned at or before the time of importation may be considered an "instrument of international traffic" and may be released under section 10.41(a), Customs Regulations, without entry or payment of duty.

Appraisement.—Further improvement and updating of the automated liquidation system were accomplished. The number of liquidations computed on the Programma 101 machine increased markedly, enabling regional liquidators to reduce their workable backlogs without personnel increases.

A program for verifying invoices of imported cargo was established, with emphasis on value, description, and count factors. More intensive examination of cargo by import specialists on the piers, at importers' premises, and in the public stores is of critical importance.

The Customs Court upheld Treasury guidelines concerning footwear subject to American selling price. In order to bring field practice into accord with the intent of the statute, the Bureau issued instructions concerning the American selling price valuation of sneaker or basketball-type shoes containing iron powder midsoles. As a result, it is expected that a greater number of such shoes will be appraised at the American selling price.

A monthly consolidated entry of nondutiable merchandise under immediate delivery procedures was approved and implemented. All shipments between one shipper and one importer through one port are

treated as a single transaction or importation for examination, entry, and liquidation purposes.

In addition to cooperation with the Department of Health, Education, and Welfare in enforcing the air pollution control program, and with the Department of Transportation in enforcing auto safety standards, Customs, working with HEW, issued instructions pertaining to the enforcement of radiation control standards for all electronic products imported into the United States.

Mail operations.—The goal of processing all mail at the port of first arrival came one step closer with the completion of the Oakland, Calif., surface mail facility in the San Francisco area. The mail unit which became operational in November 1969, has 18 lines of powered belts along with other mechanized equipment. The ability to process more mail at these large mechanized mail divisions resulted in increased economy and efficiency.

Greater emphasis on enforcement resulted in Customs' mail divisions making 2,621 seizures of guns, munitions, and narcotics in the second half of fiscal 1970. Special enforcement units were used in the larger mail divisions exclusively to detect and remove contraband from the mails.

A record number of narcotic and munitions violations was found in mail parcels originating in Southeast Asia in the first three quarters of the year. However, a joint program conducted with the military services substantially reduced the number of these illegal shipments in the last quarter.

New detection devices are being developed along with new operating procedures in an effort to stop this flood of illegal shipments.

Quotas.—During fiscal 1970, two quotas were imposed under the International Coffee Agreement Act, five quotas under the Philippine Trade Agreement Act, and 113 tariff-rate and absolute quotas under specific Presidential proclamations and legislation. Sixty-eight directives were received from the President's Cabinet Textile Advisory Committee, which resulted in the implementation and administration of 179 cotton textile quotas, involving 19 foreign countries. Quotas administered totaled 299.

Four prohibitions on cotton textiles, involving three foreign countries, were also administered. Cumulative import statistics in 268 categories, involving nine foreign countries under surveillance, were furnished weekly to the Interagency Textile Administrative Committee (Commerce Department), along with a weekly report on the status of 179 cotton textile quotas.

Fibers administration.—A total of 8,897 reports of wool importations were submitted and reviewed for uniform classification actions. There were 1,095 samples of questionable wools submitted for opinion. In addition, 138 samples of wool wastes; 332 samples of manmade fibers and wastes; 169 samples of cotton and cotton wastes; and 43 samples of animal and fur fibers were received for the purpose of advice on the classification and origin thereof.

A total of 202 samples of raw cashmere and raw camel hair were received from official government agencies in the United Kingdom, Belgium, Switzerland, and Czechoslovakia. Samples from these sources are reviewed for the purpose of determining origin for the Office of

Foreign Assets Control, which then approves processing or manufacturing actions for eventual importation into the United States.

Customs information exchange.—The C.I.E. located in New York City, acts as a clearinghouse for the Customs Service, receiving reports of merchandise processing actions and requests for advice, and both distributing regular reports and advisories and transmitting special opinions. It thus serves to standardize treatment of similar transactions at all ports of entry.

In addition to publishing regular lists of rates of exchange for countries exporting to the United States, C.I.E. responded to 721 requests from Customs officers for special rate determinations. National alerts were issued when France devalued the franc and Germany increased the value of the mark.

There were 2,126 catalogs, price lists and other value data of foreign manufacturers and shippers received, reproduced and disseminated to customs officers at ports known to have received importations of such or similar merchandise.

C.I.E. maintained and distributed a list of commodities exported from Japan which are appraised at ex-factory prices and a list of more than 7,000 names of firms exporting commodities to the United States who have submitted satisfactory evidence to establish that their goods should be appraised at an ex-factory price.

The Marking Digest, a compilation of decisions relating to current applications of section 304 of the Tariff Act, was revised and distributed to all interested customs officers.

A total of 86,000 "Reports of Classification and Value" were received, on which 15,000 discrepancies in value and classification were processed. Only 49 decisions in value and 77 in classification, not reconciled, had to be referred to the Bureau for decision. A total of 129 foreign and local inquiry reports were processed.

During the fiscal year, 155 advance reports were received from various import specialists. Whenever differences of opinion appeared between the New York Regional Commissioner and the reporting port, the C.I.E. acted as the middleman to reconcile differences.

There were 534 reports of significant value changes transmitted to district directors on shipments entered during the previous 12-month period from the same manufacturer or seller.

Export Control.—In conjunction with the Office of Export Control and the Bureau of the Census, a new simplified procedure for the processing of many export declarations was developed and implemented. Known as the "NAR" (No Authentication Required) procedure, it places on carriers the responsibility for verifying information on export declarations and permits post-filing of the declarations. Blanket filing of declarations on a monthly basis was also expanded.

Laboratories.—Aggressive efforts to improve the efficiency and responsiveness of laboratory operations highlighted the activities of the Division of Technical Services during the year.

The new narcotics laboratory in San Antonio, Tex., became operative in October 1969. A new method for selecting laboratory samples for analysis, first tried out in 1969, was extended to cover more laboratories. Called "Routine Control Sampling," the new system is designed to provide a data base for a more rational method of sampling for

laboratory examination. A new sample reporting system, keyed to TSUS and to census reporting categories, was implemented. A new narcotics testing facility was also opened in San Diego, Calif., to serve Mexican border points and assist in prompt prosecution of narcotics smugglers. In addition, a small but well-equipped analytical facility was established in Bureau headquarters to study the nature and concentration of volatile materials in the immediate vicinity of marihuana, hashish, and heroin packages.

A program and data file to computerize retrieval of infrared spectral data was incorporated into the Bureau's ADP system and is now servicing the laboratories.

Central procurement of major analytical equipment items, instituted in 1969, resulted in the following significant purchases during 1970:

Chicago: Atomic absorbance spectrophotometer and gas chromatograph.
Baltimore: Gas chromatograph.
Savannah: Gas chromatograph.
San Francisco: U.V. visible spectrophotometer.
San Diego: I.R. spectrophotometer and gas chromatograph.
San Antonio: I.R. spectrophotometer and gas chromatograph.
New York: Mass spectrometer.

A large number of proposals were received from commercial firms suggesting various devices for detection of smuggled narcotics without actually opening baggage, packages, or vehicle compartments. Most of these were essentially devoid of information concerning the substance believed to be present in the immediate environment of such contraband, which is essential to their intelligent evaluation.

During 1970, a total of 178,660 samples were tested, as compared with 167,834 in 1969.

Detector dog program.—Recruitment of skilled dog trainers and handlers from the U.S. Air Force and Army and procurement of dogs from civilian and military sources began in January 1970. Training facilities and logistic support were obtained from the military working dog program, located at Lackland Air Force Base, and an experimental training program was initiated on April 1.

Subsequent tests conducted at several customs mail facilities indicate that the use of dogs with experienced handlers will be extremely beneficial in preventing the introduction of dangerous drugs via the mails. Because of this success, a training session to explore other uses of dogs in marihuana and other drug detections was scheduled. Preliminary tests showed that dogs could also function effectively in cargo areas and for automobile and truck searches. The feasibility of using smaller dogs in ship and aircraft searching will also be studied.

International conferences.—Participation in the activities of the Customs Cooperation Council in Brussels and the Economic Commission for Europe in Geneva was continued. Subsidiary organizations of both bodies (the Permanent Technical Committee of the CCC and the Inland Transportation Committee of the ECE) are drafting new conventions on the international movement of containers. Staff officers

of Customs were members of the U.S. delegation at 10 meetings during the year.

Discussions were also held in Washington and London with representatives of British Customs and Excise on containerization and other matters of mutual interest to both services.

Commissioner Ambrose visited England, France, Italy, Mexico, and Canada, urging customs officials of those countries to intensify their antidrug smuggling enforcement activities. Such cooperation, it is envisaged, would result in the trafficker having to transit several customs barriers and undergo more rigorous customs inspections. This would increase risk of detection, disrupt normal smuggling patterns and expose professional smugglers to discovery by more investigative agencies.

Improved services to the public.—During the year, applications were received for the establishment of ports of entry at 23 locations. Two new ports of entry were approved, at Little Rock, Ark., and Greenville-Spartanburg, S.C. Two customs stations were established at Boquillas and at Heath Crossing, Tex.

Public information.—Operation Intercept/Cooperation on the Mexican border and the new intensified enforcement procedures at all border points greatly increased the requirement for forewarning the public of delays to be encountered in clearing customs and for explaining the reasons behind these operations.

Special radio spots were issued for use on the Mexican-United States border. A flyer explaining the reasons for the operation was widely distributed. A special award-winning supplement for "Customs Today," the Bureau internal publication, was also prepared.

Both radio and television spots by the Commissioner of Customs were distributed to stations in the United States and Canada. Over 8 million copies of a leaflet, "An Explanation to You . . . the Traveler," were distributed to the various ports and stations, the airlines, the U.S. Travel Service and the Department of State.

Two posters were distributed for use in customs facilities to persuade arriving travelers that "a few extra minutes to clear customs is a small price to pay to help us keep drugs away from your children."

The U.S. Travel Service continued its assistance by distributing abroad releases prepared by Customs for the benefit of travelers from other countries visiting the United States. The "Ask the Customs Man" series was also used in many papers throughout this country.

The Department of Defense, using press conferences, TV media, military press, and Armed Forces Radio Network, cooperated in a campaign against dangerous war trophies being mailed through APO and FPO's from military personnel overseas.

During the year, two traveling exhibits were produced to tell the Customs story. A new leaflet, "A Gift . . . Are You Sure?," was issued to help eliminate many protests on items which could not be released under the $10 duty-free gift provision.

A record number of tape recordings by U.S. and foreign networks and of articles in national magazines and feature syndicates was produced.

The Commissioner of Customs made extensive use of the speaking platform, addressing 25 associations, societies, and convention groups from September 1969 through June 1970. He also gave 33 personal interviews to TV, press, and radio, all stressing customs enforcement against narcotic smuggling.

Monthly lectures were continued at each class of inspectors, agents, and import specialists at the National Training Center, to emphasize that courtesy, tact, and consideration for the traveler must accompany intensified enforcement efforts.

Of over 50,000 letter requests for information received from the traveling public, 76 percent were received during the last 6 months of the fiscal year.

Investigative activities

The Customs Agency Service of the Office of Investigations is the primary investigative and enforcement arm of the Bureau. A study recommending radical changes in that organization was made during the year. These changes were approved for implementation at the beginning of fiscal 1971.

During fiscal 1970 approximately 300 special agents were added to the force and about 80 customs port investigators were advanced to special agents. Eighteen new effices were opened at Jackman, Maine; West Palm Beach, Fla.; Lubbock, Tex.; Alpine, Tex.; Deming, N. Mex.; Albuquerque, N. Mex.; Tucson, Ariz.; Phoenix, Ariz.; Las Vegas, Nev.; Eureka, Calif.; Spokane, Wash.; Williston, N. Dak.; International Falls, Minn.; Sault Ste. Marie, Mich.; Minneapolis, Minn.; Kansas City, Mo.; Milwaukee, Wis.; and Newport, Vt.

The principal emphasis of the Office of Investigations during the year has been on stricter enforcement of the laws regarding illegal entry of narcotics and dangerous drugs. A massive effort was carried out on the Mexican-United States border and, at yearend, intensified enforcement operations were in effect all along the northern border and the eastern seaboard, as well as a continuing effort at all other ports.

A new automatic data processing network to file and disseminate enforcement intelligence was established, initially with the cooperation of the State of California. Information concerning suspected smugglers and their vehicles was stored in the computer, located at San Diego, Calif., and selected border stations could query the computer by teletype concerning automobiles entering from Mexico and receive an answer within 6 to 10 seconds. This portion of the system is the first stage in the nationwide Customs ADP Intelligence Network (CAD PIN) to integrate information on criminal activity in one easily and speedily accessible ADP file.

Cases investigated.—The number of cases investigated under customs, navigation, and related laws enforced by Customs increased from 28,175 in fiscal 1969 to 32,040 in fiscal 1970, as shown in the Statistical Appendix.

Arrests.—There was a total of 7,340 arrests during the year, as compared to 6,200 in 1969, with 2,006 convictions under U.S. statutes and 3,064 turned over to local authorities.

Activity	Fiscal years 1969	Fiscal years 1970	Percentage increase
Persons under or awaiting indictment at beginning of year	2,639	3,927	48.8
Arrests	6,200	7,340	18.4
Turned over to other agencies	2,117	3,064	44.7
Prosecutions declined	621	663	6.8
Not indicted	13	23	76.9
Convictions under U.S. statutes	1,795	2,006	11.8
Dismissals and acquittals	328	454	38.4
Nolle prossed	38	57	50.0
Persons under or awaiting indictment at end of year	3,927	4,977	26.7

Merchandise seizures.—Customs seizures of merchandise for various violations of customs laws, by number and value, are shown in the Statistical Appendix.

Drug seizures.—In fiscal 1970, there were extraordinary increases in seizures of cocaine, hashish, marihuana, and dangerous drugs. Details are shown in the following table.

Drug seizures	Fiscal years 1969	Fiscal years 1970	Percentage increase or decrease (−), in amount seized
Narcotics:			
Heroin:			
Grams	141,269	20,642	
Pounds	311.43	45.51	−85
Number of seizures	240	203	
Opium:			
Grams	15,347	9,390	
Pounds	33.88	20.70	−39
Number of seizures	42	42	
Cocaine: [1]			
Grams	NA	48,944	
Pounds	NA	107.90	
Number of seizures	NA	88	
Other:			−26
Grams	90,213	17,745	
Pounds	198.87	39.12	
Number of seizures	253	335	
Hallucinogens:			
Hashish:			
Grams	282,771	1,416,212	
Pounds	623.39	3,122.22	+401
Number of seizures	186	646	
Marihuana:			
Grams	25,929,683	47,311,901	
Pounds	57,164	104,305.43	+82
Number of seizures	2,673	4,113	
Dangerous drugs: [2]			
5-grain units	4,763,361	12,271,023	+158
Number of seizures	630	1,080	

NA Not available.

[1] Included in "other" in fiscal 69.
[2] Consisting principally of amphetamines and barbiturates.

Foreign trade zones

Customs duties and internal revenue taxes collected during fiscal 1970 from the 10 zones in operation amounted to $11,131,404.

The following table summarizes foreign trade zone operations during fiscal 1970.

Trade zone	Number of entries	Received in zone		Delivered from zone		Duties and internal revenue taxes collected
		Long tons	Value	Long tons	Value	
New York	3,690	23,252	$37,152,777	28,265	$34,385,360	$2,188,668
New Orleans	4,194	26,441	26,210,309	27,023	24,660,258	3,897,891
New Orleans (subzone) [1]		14,215	2,045,243	21,780	3,176,420	
San Francisco	1,248	4,307	483,391	5,112	7,138,440	487,901
San Francisco (subzone)	78	30	216,785	78	172,494	36,536
Seattle	423	1,610	2,836,110	1,172	1,749,470	227,957
Mayaguez	469	1,250	1,325,251	973	1,190,477	127,337
Penuelas (subzone)	3	348,789	6,615,549	234,242	10,849,947	16,440
Toledo	196	24,183	13,284,542	21,265	13,169,329	3,360,050
Honolulu	6,384	4,092	6,000,597	3,293	4,952,348	788,624
Total	16,685	448,169	96,170,554	343,203	101,444,543	11,131,404

[1] Due to the nature of the transactions in this subzone, entries are not required and duties and internal revenue taxes are not collected.

Cost of administration

Customs operating expenses amounted to $129,420,353, including export control expenses and the cost of additional inspection reimbursed by the Department of Agriculture.

The following table shows man-years employment data in fiscal years 1969 and 1970.

Operation	Man-years 1969	Man-years 1970	Percentage increase or decrease (−)
Regular customs operations:			
Nonreimbursable	8,222	8,900	8.2
Reimbursable [1]	435	418	−3.9
Total regular customs employment	8,657	9,318	7.6
Export control	208	197	−5.3
Additional inspection for Department of Agriculture	278	277	−.4
Total employment	9,143	9,792	7.1

[1] Salaries reimbursed to the Government by the private firms who received the exclusive services of these employees.

Office of Director of Practice

The Office of Director of Practice is a part of the Office of the Secretary of the Treasury and is under the immediate supervision of the General Counsel. Pursuant to the provisions in Treasury Department Circular No. 230 (31 CFR, Pt. 10), the Director of Practice institutes and provides for the conduct of disciplinary proceedings against attorneys, certified public accountants, and enrolled agents who are alleged to have engaged in disreputable conduct or who are alleged to have violated the rules and regulations regarding practice before the Internal Revenue Service. The Director of Practice also exercises jurisdiction, as the first level of administrative appeal, in those cases where the Commissioner of Internal Revenue denies an application for enrollment to practice before the Internal Revenue Service made by persons seeking enrollment pursuant to Section 10.4 of Circular 230.

On July 1, 1969, there were 62 derogatory information cases pending in the Office under active review and evaluation, two of which were

awaiting presentation or decision before a hearing examiner. During the fiscal year 169 cases were added to the case load of the Office. Disciplinary action was taken in 55 cases, either by the Office or by order of a hearing examiner. These 55 actions consisted of two orders of disbarment, 28 suspensions (either by order of the examiner or by consent of the practitioner), 23 reprimands, and two instances where an enrolled agent was permitted to terminate by resignation his enrollment to practice before the Internal Revenue Service. The 55 actions affected 16 attorneys, 21 certified public accountants, and 18 enrolled agents.

Nine proceedings for disbarment or suspension were initiated before a hearing examiner during fiscal 1970. Therefore, including the two cases remaining on the examiner's docket on July 1, 1969, there were 11 cases before the examiner during fiscal 1970. In four cases, the complaint which initiated the proceedings was withdrawn after stipulation settlement was reached whereby the respondent consented to a suspension from further practice before the Internal Revenue Service. Decisions by the examiner were rendered in five of the cases. In two cases, one involving an attorney and one involving a certified public accountant, the examiner's initial order was that the respondents be disbarred from further practice before the Service. In the remaining three cases, the examiner issued initial orders for suspension from practice before the Internal Revenue Service. As of June 30, 1970, two cases were pending on the examiner's docket awaiting presentation.

Ninety-six cases were removed from the Office case load during fiscal 1970 after review and evaluation showed that the allegations of misconduct did not state sufficient grounds to maintain a disciplinary proceeding under the regulations of circular 230. Including the two cases pending on the examiner's docket, there were 78 derogatory information cases under consideration in the Office as of June 30, 1970.

During June 1970, two applicants filed appeals from decision of the Commissioner of Internal Revenue denying their application for enrollment to practice before the Internal Revenue Service. Both appeals were under consideration at the fiscal yearend. Two practitioners petitioned the Director of Practice, pursuant to Section 10.75 of Circular 230, for reinstatement to practice before the Internal Revenue Service. Favorable consideration was given to each petition and reinstatement was accordingly granted.

Early in the fiscal year, the American Bar Association finalized the establishment of the National Discipline Data Bank at the American Bar Association Center in Chicago. The National Discipline Data Bank (which began operations on April 1, 1970) consists of a nationwide depository of information on attorneys who have been disbarred, suspended, resigned during disciplinary proceedings, or subjected to a public reprimand. The Office of Director of Practice was the only Federal administrative agency invited to participate and cooperate in this important project.

Office of Domestic Gold and Silver Operations

The Office of Domestic Gold and Silver Operations, in the Office of the Under Secretary for Monetary Affairs, assists the Under Secretary and the Assistant Secretary (Economic Policy) in the formulation,

execution, and coordination of policies and programs relating to gold and silver in both their monetary and commercial aspects. The Office administers the Treasury Department gold regulations relating to the purchase, sale, and control of industrial gold and gold coin; issues licenses and other authorization for the use, import and export of gold, and for the importation and exportation of gold coin; receives and examines reports of operations; and investigates and supervises the activities of users of gold. Investigations into possible violations of the gold regulations are coordinated with the U.S. Secret Service, the Bureau of Customs and other enforcement agencies.

Gold

Use of gold for industrial purposes.—Sales of gold by the Treasury for industrial use and purchases from the private market were terminated on March 18, 1968. Since that date, gold used in industry, the professions, and art in the United States has come from new domestic production and from imports. Estimated industrial use of gold in the United States during the calendar year 1969 was 7,109,000 ounces as compared with 6,604,000 ounces in 1968. Of this amount, 5,242,000 fine troy ounces were imported in 1969 for commercial use and the other 1,867,000 ounces came from U.S. mine production. The estimated use of gold and its allocation by types is shown in the following table.

Estimated net industrial use of gold for calendar year 1969

	Fine ounces	Percent
Jewelry and arts	3,839,000	54
Dental	710,000	10
Industrial, including space and defense	2,560,000	36
Total	7,109,000	100

Exports of gold.—On April 20, 1970, the regulations governing exports of gold were amended to authorize the issuance of licenses permitting holders of certain types of Treasury gold licenses to export gold bullion for sale in foreign countries, subject to existing restrictions on transactions in gold with U.S. nationals abroad and foreign monetary authorities. Prior to this amendment, export licenses were issued only for the export of gold for refining and return or manufacture into fully fabricated items.

Gold coins.—Licenses are required to import gold coins minted during or after 1934. Licenses are issued only for coins of recognized special value to collectors of rare and unusual coin. Gold coins minted after January 1, 1960, may not be imported unless the particular coin had been licensed for importation prior to April 30, 1969. The number of gold coins licensed by the Treasury was 3,893 in the calendar year 1969 as compared with 20,399 gold coins licensed in calendar year 1968. During the first half of 1970, 91 gold coins were licensed. The decrease from the 1968 figure reflects in part the elimination in 1968 of the requirement that licenses be obtained for pre-1934 coins.

Licensing of gold dealers.—The Office continued licensing banks and commodity firms to acquire and import gold for sale to domestic indus-

trial users. Seventeen such licenses were outstanding at the end of the fiscal year.

Silver.—Sales of Treasury silver for domestic industrial use at going market rates on a competitive sealed bid basis continued during fiscal 1970. The sales are conducted by GSA, as agent for the Treasury. During fiscal 1970, 73,070,799 ounces of silver were contracted for sale under this program at a profit to the Government of $25,675,334.

On June 18, 1970, the Treasury announced that sales of silver from the Department's existing stock would continue at the rate of 1.5 million ounces per week through November 10, 1970.[1]

Bureau of Engraving and Printing

The Bureau of Engraving and Printing is responsible for manufacturing U.S. paper currency, various public debt instruments, and most other evidences of a financial character issued by the Government, such as postage and internal revenue stamps, food coupons, and military payment certificates. In addition, the Bureau prints commissions, certificates of awards, permits, and a wide variety of other miscellaneous items. The Bureau also executes certain printings for various territories administered by the United States.

The Bureau conducts extensive research and development programs for improving the quality of its products, reducing manufacturing costs, and strengthening deterrents to the counterfeiting of Government securities. It manufactures ink and gum used for its products; purchases materials, supplies, and equipment; provides maintenance services for its buildings, plant machinery, and equipment; and stores and delivers its products in accordance with requirements of customer agencies.

Management review

In December 1969, a five-member study team, composed of three representatives from the staff of the Office of the Secretary and two from the Bureau, completed a comprehensive review and evaluation of the Bureau's organization and management. The objective of the study was to evaluate the effectiveness of current policies and practices and to determine if financial economies and increased efficiency could be achieved. The scope of this review extended to the role and mission of the Bureau, covering every aspect of Bureau operations.

In its report of this review, the survey team concluded "that the Bureau of Engraving and Printing is managed in an efficient, effective, and progressive manner by the Director, Deputy Director, Office Chiefs, and Division Superintendents." The report was highly complimentary of the Bureau's "management team" approach to operations.

Plans for modernization

During fiscal 1970, the Director of the Bureau visited 12 European countries to observe major national bank note printing plants, nationally and commercially contracted postage stamp printers, security paper manufacturers, security ink manufacturers, and manufacturers

[1] See exhibit 59.

of currency and postage stamp presses and processing equipment. This experience proved of immediate value in allowing comparison and exchange of technical information; in creating a new awareness of the techniques employed by international counterparts, as a basis for evaluating present technological planning; and in establishing good-will relationships to provide for a continuing exchange of technical data and information.

Planning this year centered primarily on the acquisition of two additional high-speed sheet-fed printing presses for the production of currency, a prototype model of currency overprinting and processing equipment (COPE), to automate some of the more costly processing operations associated with the production of currency notes, automatic equipment to replace the present manual operations for making food coupons and postage stamps into book form, and a seven-unit rotogravure printing press to meet specific requirements for gravure-printed multicolor commemorative postage stamps, as well as new design aerogrammes for the Post Office Department.

Currency program

Deliveries of currency notes in fiscal 1970 totaled approximately 2.5 billion pieces, as compared to 2.4 billion pieces in fiscal 1969. Despite large increases in costs of labor and materials, the unit cost rate of manufacturing currency in 1970 of $8.02 per thousand notes, came close to meeting the noteworthy low of $7.95 attained in 1969.

In order to meet an increasing demand for currency, the Bureau is constantly planning and implementing programs for the modernization of its currency manufacturing operations and facilities. Long-range planning is directed toward the replacement of those existing currency printing presses which are now fully depreciated and technologically obsolete and the development and acquisition of a sufficient number of production models of custom-designed currency overprinting and processing equipment to supplant present manual currency finishing operations. The planned modernization will not only allow an increased production capability, which will be consistent with the projected growth rate in currency demands, but it will also allow for the incorporation of the latest advances in the continually evolving technology of the graphic arts.

Studies conducted of the manual finishing operations for currency, pending the development of the automated currency overprinting and processing equipment, led to interim improvements being made in these operations in March 1970. Implementation of these procedures, coupled with the attainment of an all-time low in the currency spoilage rate, has resulted in greatly increased employee productivity, with an associated savings in manpower requirements.

Postage stamp program

Production of postage stamps is the second most important segment of the operations of the Bureau of Engraving and Printing. In order to have the flexibility to meet the requirements of the Post Office Department for gravure printed work, the first high-speed, web-fed, seven-unit, gravure press was delivered in July 1970. Plans were made to prepare the pressroom, with provision for proper alignment of operations and flow of products. The Bureau has planned to use this

rotogravure press to produce certain multicolor commemorative postage stamp issues until a combined rotogravure, line-intaglio, web press can be obtained. The first contingent of three foremen and six printers has been scheduled to attend training sessions relating to the gravure press operations.

It is the Bureau's objective to combine the unique advantages of the gravure and the line-intaglio processes to produce postage stamps with the full, unrestricted color potential of gravure, enhanced by the esthetic and security features of line engraving. Accordingly, plans have been made for the acquisition of a combination gravure-intaglio press, with capabilities for such combined printing, as well as for perforating and phosphor tagging. These presses will introduce new dimensions in the Bureau's production of multicolor postage stamps.

Deliveries of U.S. postage stamps remained relatively constant, approximately 26.2 billion pieces in fiscal 1970, as compared to 27.4 billion pieces in fiscal 1969. New issues of postage stamps delivered in fiscal 1970 are shown in the Statistical Appendix.

Food coupon program

The printing and processing of the number of food coupons requisitioned by the Department of Agriculture is becoming an increasingly important segment of Bureau operations. Food coupon deliveries increased from 502 million pieces in fiscal 1969 to 964 million pieces in 1970.

This year, food coupons were produced only in 50 cents and $2 denominations. The Department of Agriculture has been receptive to a Bureau proposal for the issuance of a $5 food coupon, in addition to the current denominations. This change will result in considerable savings by reducing production requirements for the volume of coupons issued.

Estimated savings of $117,500 were realized in fiscal 1970 from use of the new collating-stitching-slitting machine that was installed late in fiscal 1969 for performing the former manual operations used in processing full sheets of food coupons into books. Following installation of this machine, a complete reevaluation of the food coupon program was made with a view to reducing production costs. It is estimated that further savings of 13 man-years, or approximately $90,000, resulted from certain changes made in personnel assignments and processing operations.

By the close of fiscal 1970, the Bureau had totally converted to imprinting serial numbers on all food coupons, as a deterrent to the theft of coupons and future request for their redemption. Consideration is being given to the possible advantages of numbering food coupons with magnetic ink.

Awards program

A completely revised incentive awards program became effective October 1, 1969. Significant changes were made in the program to improve its effectiveness, by placing more responsibility for conducting the program directly in the hands of line officials and abolishing the committee on employee awards.

The Bureau's second annual performance awards ceremony was held in April. Because of the large number of award recipients, the cere-

397-702 O—71——8

mony was held over a 3-day period, April 15, 16, and 17. The Director personally presented each award and supervisors were present on the stage with their respective groups to congratulate the awardees. During fiscal 1970, 609 employees received superior work performance awards, 34 received high quality pay increases, and nine received special service awards. Nonrecurring savings of $106,005, or 16⅛ man-years, were realized in fiscal 1970 from the superior work performance phase of the incentive awards program. Under the employee suggestions program, 266 suggestions were received and 126 suggestions were adopted. It is estimated that the Bureau will realize annual recurring savings of $20,090 and nonrecurring savings of $715 from suggestions adopted in fiscal 1970.

At the Department of the Treasury's sixth annual awards ceremony, held on October 24, 1969, the Bureau received the Secretary's annual award for outstanding accomplishment for the incentive awards program.

Improved service to the public

Throughout the year, the Bureau conducted an active program designed to improve communications with and services to the public and to advance the Bureau's goal for increased public awareness of the security characteristics of genuine currency. In fiscal 1970, the Bureau furnished exhibit materials for and participated in 47 numismatic and philatelic shows and conventions. Bureau representatives accompanied the prepared exhibit material to explain and demonstrate to the public the techniques of the intaglio process used in the production of currency, postage stamps, and other securities. Special programs were geared to school children attending these events. Public response to the Bureau's participation has been most enthusiastic.

The Bureau produced six distinctive souvenir sheets to compliment certain major philatelic and numismatic exhibitions in fiscal 1970: the San Diego International Philatelic Exhibition; the 78th Anniversary of the American Numismatic Association, in Philadelphia; the Fresno Numismatic Society; the American Stamp Dealer Association National Postage Stamp Show; the 12th International Stamp Exhibition, in New York; and the Combined Philatelic Exhibition, in Chicago. The souvenir sheets were initially offered for sale at the Bureau's displays at the respective exhibitions, and any sheets remaining after the close of the shows are sold to the public directly from the Bureau.

In May, the Bureau added a new item, the U.S. Flag and Allegiance, to the group of engraved and lithographed printings available to the public. This print sells for 75 cents each, including handling charges and postage; it proved to be a very popular item, with approximately 4,700 copies sold by June 30.

During this fiscal year, 861,057 visitors, as compared to 608,323 last year, took the self-guided tour through the Bureau. Other tours were conducted on an individual basis for special visitors, such as agents of the U.S. Secret Service, representatives of foreign firms in the printing industry, writers and staff members of numismatic and philatelic publications, and photographers and writers engaged in producing film strips for television presentations.

Equal employment opportunity

Throughout the year, the Director and management staff at all levels continued to devote their full support to the equal employment opportunity program. The Bureau's overall EEO goal is the development of a climate of understanding in which all employees, without question or complaint, know that equality of opportunity exists in the Bureau. Significant improvements and changes have been instituted in this area, reflecting the positive actions taken as a result of this program.

The employee committees for EEO meet regularly each month, inviting guests from specialized areas. The Director is a frequent participant and attendance by other management officials has increased. New members were designated to serve as employee committee members for fiscal 1971. Distribution of the monthly summary was expanded to include all supervisors. Committee activity, as well as general EEO program activity, is reported on a regular monthly basis to the Director, EEO program, The Department of the Treasury.

Labor-management relations

It has been a long-standing policy of the Bureau to foster constructive and harmonious relationships with its employees and labor organizations representing them. Special emphasis and attention is directed toward the conduct of all labor-management dealings within the spirit and intent of Executive Order 11491 of October 29, 1969. At the close of the fiscal year, the Bureau recognized 16 AFL–CIO affiliate unions and two independents. Included are 15 grants of exclusive recognition covering 25 craft units, one noncraft unit, and one guard unit. There exist eight approved substantive labor-management agreements. The unions function as a dynamic part of the Bureau and are a major factor in management considerations.

Safety program

Through continuation of the revitalized safety program inaugurated the previous year, significant achievements have been noted. The Bureau works for zero accident months as one of its prime objectives.

On May 1, 1970, the Director held two meetings to give recognition to 925 employees of the 18 production sections that worked a full year, without a disabling injury. The Postage Stamp Division received special recognition because all five sections in that Division had a perfect year.

The many new safety innovations instituted during the past year are having the desired effect of creating a safety awareness in employees and a sincere interest in improving the Bureau's overall safety performance.

Training program

During the year, 1,608 employees completed Bureau or departmental training courses; 84 employees completed interagency training courses; and 153 employees attended specialized seminars, training classes, conferences, and exhibits sponsored by nongovernment organizations.

Training was supplied at all levels and in most occupations, to meet the needs at different stages of employment. The training courses included on-the-job and refresher training for current needs, develop-

mental training in anticipation of future needs, training to develop unavailable skills, and training to develop under-utilized and disadvantaged employees.

Internal audit

In the interest of maintaining efficient and economic operations, the Bureau continued to conduct intensive, announced and unannounced audits, providing for both fiscal auditing and auditing of operations. During fiscal 1970, 22 reports of audit, containing 86 recommendations for improvements, were released for management consideration and action.

Savings from cost reduction and management improvement efforts

The Bureau's objective is to maximize effectiveness in the timely and economical production of its products through optimum utilization of manpower, equipment, and other resources.

Estimated savings totaling approximately $998,000 on a recurring annual basis and $107,000 on a one-time basis were identified for fiscal 1970 as a result of the Bureau's overall cost reduction and management improvement efforts. All savings realized are passed on to customer agencies through reduced billing rates. Noteworthy savings in fiscal 1970 were $117,500 from the purchase, installation, and use of a 12-station, sheet-fed, collating machine in the production of food coupon sheets and book covers; $136,000 from the award of an exclusive 4-year contract to furnish the requirements of distinctive currency paper at a reduced unit cost per pound; and $390,000 representing a pro rata share of the recurring annual savings anticipated to be realized from reduced spoilage and changes made in the manual finishing operations in processing currency.

Finances

Bureau operations are financed by reimbursements to the Bureau of Engraving and Printing fund, as authorized by law. Comparative financial statements for fiscal years 1969 and 1970 appear in the Statistical Appendix.

Deliveries of finished work

A comparative statement of deliveries of finished work for fiscal years 1969 and 1970 appears in the Statistical Appendix.

Fiscal Service

BUREAU OF ACCOUNTS

The functions of the Bureau are Government-wide in scope. They include central accounting and financial reporting relating to the Government as a whole; disbursing for virtually all civilian agencies; supervising the Government's depositary system; determining qualifications of insurance companies to do surety business with Government agencies; a variety of fiscal activities, such as investment of trust funds, agency borrowings from the Treasury, international claims and indebtedness, and liquidation of the Postal Savings System; and Treasury staff representation in the joint financial management improvement program.

Management improvement

Under the cost reduction and management improvement program, savings of $620,000 were realized during fiscal 1970, attributable to further improvements in technology and systems, realinement of organization and staffing, and the fruits of continuing programs for the development of people in management and operating skills at all levels.

Personnel

A reorganization of the Bureau, effective July 1, 1969, among other things, merged the central accounting and reporting functions of the former Division of Central Accounts and Reports with the related systems development activities and the investment of Government funds operations into a new Division of Government Financial Operations. The reorganization has achieved its purpose—better utilization of manpower and enhancement of potential of career personnel.

A great deal of emphasis was placed during the year on evaluation of personnel programs, in terms of goals established for the Bureau as a whole and the effectiveness of those programs in achieving those goals. Another program given special emphasis was youth involvement in Government; a Bureau-wide youth committee was chartered to come up with recommendations for the more active participation of young careerists in management. Staffing efforts of the Bureau were particularly fruitful, culminating in bringing on board over 20 career development trainees.

Systems improvement

Bureau staff continued to represent the Treasury on the steering committee and study teams of the joint financial management improvement program. Primary attention was given to implementing the recommendations of the President's Commission on Budget Concepts as described under "Government-wide Financial Management." [1]

During the year, other systems work included a number of studies to improve internal procedures and further codification of Government-wide regulations within the Treasury Fiscal Requirements Manual. Procedural requirements were prescribed for Government agencies concerning the following matters: (1) Central accounting and financial reporting for receipts, disbursements, and related cash operations of the Federal Government; (2) the withdrawal of cash from the Treasury for advances under Federal grants and other programs consistent with the restatement of policy in Treasury Department revised Circular No. 1075; (3) tax withholdings applicable to reimbursements of allowances for moving expenses; (4) special notice concerning new interest rates on series E bonds and discontinuance of Freedom Share Notes applicable to payroll savings plans of Government agencies; (5) the withholding of State income tax by Federal agencies from employees' wages; and (6) unclaimed moneys.

The Federal Tax Deposit System established in fiscal 1967 was extended during fiscal 1970 to include the collection of Federal unemployment taxes.

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[1] In the "Review of Treasury Operations" section of this report, pages 8–9.

A survey of civilian and military payrolls paid in September 1969 revealed that substantial savings are being realized through the issuance of composite net salary checks. Such a check is issued to a financial organization to pay a number of personnel who have elected to be paid by credit to their accounts in that financial organization. In view of the efficiency and economy for the Government inherent in composite check applications, the implementation of procedures for the issuance of composite checks for agency payroll offices which have potential applications is receiving the highest priority. In the Treasury disbursing area, arrangements were underway at yearend with seven agencies with a total of 30 separate payroll offices for the establishment of such procedures.

Central accounting and reporting

In May 1970, Treasury Circular No. 945 was converted to a brief policy statement and all procedural instructions were incorporated in the Treasury Fiscal Requirements Manual, Part II, Central Accounting and Reporting. This release, under Transmittal Letter No. 45, prescribed several minor procedural changes but its primary purpose was to document in manual form the present system of central accounting and reporting for cash operations of the Federal Government.

Actions were taken to accelerate yearend closing operations, Government-wide, for fiscal 1970. A revised schedule under Circular No. 965 was issued to agencies in June, setting forth dates for finalizing receipt and outlay data and for submission and feedback of data to be included in Treasury's annual Combined Statement. This release, in line with the stated objectives of the joint financial management improvement program, was intended to enable Treasury to publish final budget results on a more timely basis and permit agencies to discontinue traditional preoccupation with "prior-year" figures long into the current fiscal year.

Also, in June 1970, the Bureau of Accounts issued Transmittal Letter No. 46 to the Treasury Fiscal Requirements Manual prescribing a change in the basis of reporting collections on SF–224 Statement of Transactions. With this change, effective June 30, 1970, all moneys received for deposit are now being reported on a "collections received" basis.

During the year, Bureau staff continued to represent the Treasury in joint efforts with the Bureau of the Budget and the General Accounting Office toward Government-wide implementation of the accrual basis and conversion of the President's budget and related Treasury reports. In July 1969, the Bureau of Accounts issued Transmittal Letter No. 36 to the Treasury Fiscal Requirements Manual, prescribing revised reporting requirements for monthly agency reports on the accrual basis. The Government-wide pilot operation of agency reporting, begun July 1968, was continued throughout fiscal 1970 and unpublished statements of accrual data were prepared monthly for review and evaluation by the central financial agencies.

On February 25, 1970, Secretary Kennedy, Budget Director Mayo, and Comptroller General Staats met to assess the pilot operation. They concluded that the President's budget for fiscal 1972 should be converted to an accrual basis according to the planned timing, subject

to the understanding that certain problem areas precluded conversion to a "full accrual" basis immediately. The decision to convert the fiscal 1972 budget to a "modified" accrual basis was announced by the Budget Director on April 13 in a letter to heads of departments and agencies.

Several improvements were made during the year in Government-wide financial reports. In the Treasury Bulletin, a new (trust fund transactions) table was introduced and the series of tables on the Federal debt were revised. Also, in response to a request for more timely obligation data, the publication of such data in the Treasury Bulletin was accelerated by 1 month with the cooperation of reporting agencies.

Auditing

During fiscal 1970, the audit staff conducted 12 financial audits and five management audits of varying scope in carrying out its review of Bureau activities. In addition, management surveys were performed in seven regional offices.

Also completed was the annual examination of the financial statements and related supporting data of surety companies holding Certificates of Authority as acceptable sureties on bonds running in favor of the United States (6 U.S.C. 8). Certificates are renewable each July 1 and a list of approved companies (Department Circular 570, revised) is published annually in the "Federal Register" for the information of Federal bond approving officers and persons required to give bonds to the United States. As of June 30, 1970, a total of 260 companies held certificates.

General coordination and staff assistance were also furnished for the annual audit of the Exchange Stabilization Fund.

Disbursing operations

This year, the 12 field offices comprising the Division of Disbursement produced a total of 497.9 million check and bond items at an average unit cost of 2.8 cents. Ninety-eight percent of the total items produced were generated by the eight disbursing centers equipped with computers. The newest computerized office (Denver) was converted and became operational in November 1969.

Because of its increased capacity and continuous high productivity, the central disbursing activity has been able to provide services benefiting the public and/or Government agencies by reducing costs or improving services. Examples include: (1) ADP payroll accounting service for certain small agencies unable to perform these services for themselves; (2) disbursing service for the District of Columbia Government, U.S. Courts, Comptroller of the Currency, and U.S. Soldiers' Home, on a reimbursable basis; (3) the production and mailing of nearly 87 million Federal Tax Deposit forms annually; and (4) issuing nearly 1.1 million series E savings bonds annually for the Bureau of the Public Debt to General Electric Corp. employees.

The following projects or activities resulted in monetary and/or man-year savings for the Bureau of Accounts or the agency serviced:

(1) Installation of a small, used computer in the Denver office acquired at bargain prices, permitting redistribution of workloads and increased productivity.

(2) Release of approximately 52 million tax refund checks to the Post Office Department in ZIP Code order.

(3) Increased productivity resulted from installation of new high-speed inserting and sealing machines in several offices during the latter part of fiscal 1969.

(4) Savings of $250,000 annually, reported by the Post Office Department, as a result of the ZIP Code presort operation by the Austin Disbursing Center for almost 5 million veterans' benefit checks issued every month.

(5) The General Services Administration estimated annual savings of $65,000 as a result of our implementing a system to provide their nationwide accounting centers with the beginning check number and date of payment on magnetic tape for inclusion in their vendor payment records.

The table below is a comparison of the workloads for fiscal years 1969 and 1970.

Classification	Volume	
	1969	1970
Operations financed by appropriated funds:		
Checks:		
Social security benefits	258, 664, 062	290, 331, 722
Veterans' benefits	68, 683, 466	71, 387, 254
Income tax refunds	50, 968, 396	55, 691, 879
Veterans' national service life insurance dividends program	3, 868, 129	3, 918, 918
Other	51, 610, 090	54, 496, 995
Savings bonds	7, 497, 943	7, 294, 301
Adjustments and transfers	264, 368	271, 482
	441, 556, 454	483, 392, 551
Operations financed by reimbursements:		
Railroad Retirement Board	13, 214, 575	13, 369, 528
Bureau of the Public Debt (General Electric Co. bond program)	1, 011, 467	1, 092, 520
Total workload–reimbursable items	14, 226, 042	14, 462, 048
Total workload	455, 782, 496	497, 854, 599

Depositary services, investments, and other activities

Federal depositary system.—The types of depositary services provided and the number of depositaries for each of the authorized services as of June 30, 1969 and 1970, are shown in the following table.

Type of service provided by depositaries	1969	1970
Receive deposits from taxpayers and purchasers of public debt securities, for credit in Treasury tax and loan accounts	12, 593	12, 716
Receive deposits from Government officers for credit in Treasurer's general accounts	1, 500	1, 168
Maintain official checking accounts of Government officers	7, 576	7, 958
Furnish bank drafts to Government officers in exchange for collections	1, 430	1, 230
Maintain State unemployment compensation benefit payment and clearing accounts	53	54
Operate limited banking facilities:		
In the United States and its outlying areas	233	223
In foreign areas	252	257

Investments.—The Secretary of the Treasury, under specific provisions of law, is responsible for investing various Government trust funds. The Department also furnishes investment services for other

funds of Government agencies. At the end of fiscal 1970, Government trust funds and accounts held public debt securities (including special securities issued for purchase by the major trust funds as authorized by law), Government agency securities, and securities of privately owned Government-sponsored enterprises. See the Statistical Appendix for table showing the investment holdings by Government agencies and accounts.

Loans by the Treasury.—The Bureau administers loan agreements with those corporations and agencies that have authority to borrow from the Treasury. See the Statistical Appendix for tables showing the status of Treasury loans to Government corporations and agencies as of June 30, 1970.

Surety bonds.—Executive agencies are required by law (6 U.S.C. 14) to obtain, at their own expense, blanket, position schedule, or other types of surety bonds covering employees required to be bonded. The legislative and judicial branches are permitted by law to follow the same procedure. A summary of bonding activities of Government agencies follows:

Number of officers and employees covered on June 30, 1970	963, 269
Aggregate penal sums of bonds procured	$3, 489, 348, 850
Total premiums paid by the Government in fiscal year 1970	$425, 753
Administrative expenses in fiscal year 1970	$78, 581

Foreign indebtedness

World War I.—The Governments of Finland and Greece made payments during fiscal 1970 of $353,455.00 and $328,898.02, respectively. For status of World War I indebtedness to the United States, see the Statistical Appendix.

Credit to the United Kingdom.—The Government of the United Kingdom made a principal payment of $63.3 million and an interest payment of $67.0 million on December 31, 1969, under the Financial Aid Agreement of December 6, 1945, as amended March 6, 1957. The interest payment included $11.0 million representing interest on principal and interest installments previously deferred. Through June 30, 1970, cumulative payments totaled $1,790.5 million, of which $1,005.7 was interest. A principal balance of $2,965.2 million remains outstanding; interest installments of $319.9 which have been deferred by agreement also were outstanding at the fiscal yearend.

Japan, postwar economic assistance.—The Government of Japan made payments in fiscal 1970 of $37.4 million principal and $6.5 million interest on its indebtedness arising from postwar economic assistance. Cumulative payments through June 30, 1970, totaled $259.5 million principal and $69.8 million interest, leaving an unpaid principal balance of $230.5 million.

Payment of claims against foreign governments

The tenth installment of $2 million was received from the Polish Government under the Agreement of July 16, 1960, and pro rata payments on each unpaid award were authorized.

The fifth and final annual installment of $700,000 was received

from the Government of Yugoslavia under terms of the Yugoslav Claims Agreement of November 5, 1964. On July 15, 1969, the Foreign Claims Settlement Commission completed its certification of awards to the Secretary of the Treasury for payment under the agreement. As the awards were received, initial payments up to $1,000 were made on each award. A further distribution of 23 percent of the unpaid principal balance of the awards was authorized on August 29, 1969. A final distribution of approximately 9.7 percent of the unpaid principal balance of awards was authorized on January 9, 1970, and payments were made during the fiscal year. See Statistical Appendix for more details.

Defense lending

Defense Production Act.—Loans outstanding were reduced from $7.9 to $7.1 million during fiscal 1970. Further transfers of $1 million were made to the account of the General Services Administration, from the net earnings accumulated since inception of the program, bringing the total of these transfers to $27.5 million.

Federal Civil Defense Act.—Outstanding loans were reduced from $340,586 to $73,417 during fiscal 1970.

Liquidation of Reconstruction Finance Corporation assets.—The Secretary of the Treasury's responsibilities in the liquidation of RFC assets relate to completing the liquidation of business loans and securities with individual balances of $250,000 or more as of June 30, 1957, and securities of and loans to railroads and financial institutions. Net income and proceeds of liquidation amounting to $54.6 million have been paid into Treasury as miscellaneous receipts since July 1, 1957. Total unliquidated assets as of June 30, 1970, had a gross book value of $8.1 million.

Liquidation of Postal Savings System

Effective July 1, 1967, pursuant to the act of March 28, 1966 (39 U.S.C. 5225–5229), the unpaid deposits of the Postal Savings System were required to be transferred to the Secretary of Treasury for liquidation purposes. As of June 30, 1970, a total amount of $65,139,269.29 representing principal and accrued interest on deposits had been transferred for payment of depositor accounts. All deposits are held in trust by the Secretary pending proper application for payment. Through fiscal 1970, payments totaling $53,389,303.12 had been made, including $1,769,011.42 during fiscal 1970.

Federal tax deposits

The Federal Tax Deposit System is used for the collection of individual and corporate income tax, social security tax, railroad retirement tax, and Federal excise tax. As described on page 11 of the 1967 annual report, the Bureau of Accounts prepares and mails Federal Tax Deposit forms quarterly to business concerns. During fiscal 1970, the Bureau issued almost 87 million forms. The following table shows the volume of deposits processed by Federal Reserve banks for fiscal years 1962–70.

Fiscal year	Individual income and social security taxes	Railroad retirement taxes	Federal excise taxes	Corporate income taxes	Unemployment taxes	Total
1962	10,477,119	10,262	610,026			11,097,407
1963	11,161,897	9,937	619,519			11,791,353
1964	11,729,243	9,911	633,437			12,372,591
1965	12,012,385	9,859	644,753			12,666,997
1966	12,518,436	9,986	259,952			12,788,374
1967	15,007,304	10,551	236,538	22,783		15,277,176
1968	17,412,921	14,596	233,083	394,792		18,055,392
1969	23,939,080	12,479	272,048	1,297,052		25,520,659
1970	26,612,484	11,622	296,487	1,235,452	192,905	28,348,950

NOTE.—Comparable data for 1944–61 will be found in the 1962 annual report, p. 141.

Government losses in shipment

Claims totaling $167,748.08 were paid from the fund established by the Government Losses in Shipment Act, as amended. Details of operations under this act are shown in the Statistical Appendix.

Other operations

Donations and contributions.—During the year the Bureau of Accounts received "conscience fund" contributions totaling $46,988.07 and other unconditional donations totaling $374,443.14. Other Government agencies received conscience fund contributions and unconditional donations amounting to $10,534.90 and $84,725.72, respectively. Conditional gifts to further the defense effort amounted to $20,548.21. Gifts of money and the proceeds of real or personal property donated in fiscal 1970 for the purpose of reducing the public debt amounted to $165,351.77.

BUREAU OF THE PUBLIC DEBT

The Bureau of the Public Debt, in support of the management of the public debt, has responsibility for the preparation of Department of the Treasury circulars offering public debt securities, the direction of the handling of subscriptions and making of allotments, the formulation of instructions and regulations pertaining to each security issue, the issuance of the securities, and the conduct or direction of transactions in those outstanding. The Bureau is responsible for the final audit and custody of retired securities, the maintenance of the control accounts covering all public debt issues, the keeping of individual accounts with owners of registered securities and authorizing the issue of checks in payment of interest thereon, and the handling of claims on account of lost, stolen, destroyed, or mutilated securities.

The Bureau's principal office and headquarters is in Washington, D.C. Offices also are maintained in Chicago, Ill., and Parkersburg, W. Va., where most Bureau operations related to U.S. savings bonds and U.S. savings notes are handled. Under Bureau supervision many transactions in public debt securities are conducted by the Federal Reserve banks and their branches as fiscal agents of the United States. Approximately 18,800 (29,600 outlets) private financial institutions, industrial organizations, selected post offices, and others cooperate in the issuance of savings bonds, and approximately 16,600 financial institutions (30,100 outlets) act as paying agents for savings bonds.

Management improvement

The Bureau has continued to make steady progress in the application and refinement of data processing techniques in the Washington office. All operations previously performed on tabulating equipment have now been converted to the computer, and several manual operations have also been automated.

Systems work on the conversion of the registered accounts relating to marketable securities is also well advanced. As a preliminary step in automating the total process, magnetic tape/selectric typewriters are being used to enter data on tape and simultaneously produce hard copy in connection with the issuance of registered securities and the establishment of the registered accounts. This procedure eliminates the preparation of addressograph plates, reduces manual posting, and speeds completion of the issue of the securities.

The use of book-entry procedures for marketable Treasury securities was extended to include securities deposited with a Federal Reserve bank in connection with deposits in member banks of funds of political subdivisions, or in connection with the performance of an obligation or duty under law or judgments or decrees of courts. In addition to these so-called third party accounts, Treasury securities held by the Federal Reserve Bank of New York for the System Open Market Committee and for various foreign accounts were converted to book entry. The marketable securities in this form now exceed $100 billion.

Book-entry procedures have also been applied to U.S. savings bonds issued under qualified employee's savings or thrift plans. Eight industrial savings plans are currently reporting transactions in savings bonds under the book-entry system through four Federal Reserve banks. Transactions are accomplished by accounting entries in the records of the Federal Reserve banks and the agents, as distinguished from processing definitive bonds. The procedure eliminates the issue, reissue, and retirement of physical securities, thereby reducing administrative costs.

The Parkersburg office computerized system for calculating the redemption value of U.S. savings bonds and savings notes was expedited by the adoption of a procedural change which provides for the automatic assignment of issue dates to these securities from the magnetic tape master file, thus eliminating the manual key punching of the information. The adoption of this change will result in substantial annual recurring savings, which are being used to fund the cost of providing additional reports to the Internal Revenue Service concerning series E bond accruals.

Additional encoders, which permit the entry of data for computer functioning directly onto magnetic tape rather than through the medium of punch cards, were being installed at the fiscal yearend in the Parkersburg office for the U.S. savings bonds issues application. One hundred and ten encoding machines with card reader attachments will be used in this application and the same efficiency and economy of the equipment previously demonstrated on the retired paper bonds are expected on the issues operation. Another ½-inch tape drive was installed to accommodate the conversion of this additional volume of ½-inch tape to ¾-inch tapes.

The Parkersburg office continued to expand the project of having large volume issuing agents, which use computers to inscribe bonds, report issue data on magnetic tape in lieu of registration stubs. It is of particular significance that the private sector is also participating in this program. One of the four additional agents converted to this system during the year was the State Bank of Albany. Others included a Federal Reserve bank, a military agency, and a Government agency. There are 13 agents currently reporting issues on tape; pilot studies have been initiated with three additional agents, another of which reaches to the private sector, the General Motors Corp.

The Bureau's internal audit activity was reorganized as the Internal Audit Service with greater centralization of responsibility. Other organizational changes involved the consolidation of correspondence activities in the Division of Loans and Currency in Washington and the realinement of mail and file operations in the Chicago office.

As a means of improving public service, information sheets providing basic details on various types of Treasury securities were updated and a new document describing securities of various Government agencies was prepared. The basic forms used by the public to submit eligible securities for redemption in payment of Federal taxes were also redesigned.

Bureau operations

The extent of the change in the composition of the public debt is one measure of the Bureau's work. The debt falls into two broad categories: public issues and special issues. Public issues consist of marketable Treasury bills, certificates of indebtedness, notes, and bonds; and nonmarketable securities, chiefly U.S. savings bonds, U.S. savings notes, U.S. retirement plan bonds, and Treasury bonds of the investment series. Special issues of certificates, notes, and bonds are made by the Treasury directly to various Government trust and certain other accounts and are payable only for these accounts.

During the year, 78,883 individual accounts covering publicly held registered securities other than savings bonds, savings notes, and retirement plan bonds were opened and 40,530 were closed. This increased the number of open accounts to 261,686 covering registered securities in the principal amount of $10,827 million. There were 440,001 interest checks with a value of $403 million issued during the year.

Redeemed and canceled securities other than savings bonds, savings notes, and retirement plan bonds received for audit included 9,292,490 bearer securities and 285,545 registered securities. Coupons totaling 17,303,418 were received.

During the year 22,246 registration stubs of retirement plan bonds and 11,518 retirement plan bonds were received for audit.

A summary of public debt operations handled by the Bureau appears on pages 17–23 of this report and in the Statistical Appendix.

U.S. savings bonds.—The issuance and redemption of savings bonds results in a heavy administrative burden for the Bureau of the Public Debt, involving: Maintenance of ownership records for the 3.3 billion bonds issued since 1935; adjudication of claims for lost, stolen, and destroyed bonds (which totaled 2.6 million pieces on June 30, 1970); and the handling and recording of retired bonds.

Detailed information on sales, accrued discount, and redemptions of savings bonds will be found in the Statistical Appendix.

There were 121 million stubs or records on magnetic tape and microfilm representing the issuance of series E bonds received for registration, making a grand total of 3,243 million, including reissues, received through June 30, 1970.

All registration stubs of series E savings bonds and all retired series E savings bonds are microfilmed, audited, and destroyed, after required permanent record data are prepared by an EDP system in the Parkersburg office. The following table shows the status of processing operations for savings bonds and savings notes in the Parkersburg office.

Fiscal year	Received	Microfilmed	Key punched	Converted to magnetic tape	Audited and classified	Destroyed	Balance			
							Unfilmed	Not key punched	Not converted to magnetic tape	Unaudited
Stubs of issued card type series E savings bonds (in millions of pieces)										
1958–65	706	705	702	702	700	656	2.3	4.5	4.5	6.6
1966	101	101	100	100	100	100	2.3	5.5	5.9	7.5
1967	104	104	105	105	103	103	2.6	5.2	5.2	8.9
1968	102	103	103	103	103	98	1.7	4.4	4.4	8.1
1969	104	102	102	102	102	104	3.1	6.1	6.6	9.7
1970	98	98	97	98	95	108	3.3	6.9	6.9	13.2
Total[1]	1,216	1,213	1,209	1,210	1,203	1,169				
Retired card type series E savings bonds and savings notes[2] (in millions of pieces)										
1958–65	450	449	447	447	445	400	1.7	3.2	3.5	5.2
1966	82	81	80	80	80	92	2.2	5.0	5.0	6.5
1967	87	88	87	87	86	85	2.0	4.9	5.5	8.3
1968	95	94	96	97	95	84	2.5	3.6	3.6	7.6
1969	111	110	108	108	106	98	3.4	6.7	6.7	11.9
1970	116	116	118	117	114	125	3.6	5.3	5.7	14.2
Total	941	937	935	935	926	885				
Retired paper type series E savings bonds (in millions of pieces)										
1962–65[3]	65.4	64.9	64.6	64.5	64.1	39.5	0.5	0.8	0.9	1.3
1966	19.3	19.4	19.1	19.2	19.3	33.9	.4	1.0	1.0	1.3
1967	16.8	16.8	17.0	17.0	16.7	16.0	.4	.8	.8	1.4
1968	15.2	15.2	15.3	15.2	15.3	13.8	.4	.7	.8	1.3
1969	13.7	13.7	13.7	13.7	13.7	18.4	.4	.7	.8	1.3
1970	13.3	13.3	13.4	13.4	13.0	15.5	.4	.6	.7	1.6
Total	143.7	143.3	143.1	143.0	142.1	137.1				
Stubs of issued U.S. savings notes[2] (in millions of pieces)										
1967	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
1968	6.9	6.6	6.5	6.5	6.2	2.3	0.3	0.4	0.4	0.7
1969	11.0	10.9	10.7	10.6	10.6	9.3	.4	.7	.7	1.1
1970	10.4	10.6	10.7	10.7	10.6	12.2	.1	.4	.4	.8
Total	28.3	28.1	27.9	27.9	27.4	23.8				

* Less than $50,000.

[1] Excludes records received on magnetic tape: 5.3 million in 1965, 6.4 million in 1966, 12.8 million in 1967, 17.2 million in 1968, 19.9 million in 1969, and 22.7 million in 1970, for a total of 84.3 million.

[2] U.S. savings notes were first issued in May 1967.

[3] In 1962 (and prior years) most paper type bonds were processed in other offices manually and on tabulating equipment.

Of the 121.8 million series A–E savings bonds and savings notes redeemed and charged to the Bureau during the year 119.0 million (97.7 percent) were redeemed by authorized paying agents. For these redemptions these agents were reimbursed quarterly at the rate of 15 cents each for the first 1,000 bonds and notes paid and 10 cents each for all over the first 1,000 for a total of $15,205,335 and an average of 12.78 cents per bond and note.

The following table shows the number of issuing and paying agents for series A–E savings bonds by classes.

June 30	Post offices [1]	Banks	Building and savings and loan associations	Credit unions	Companies operating payroll plans	All others	Total [2]
	Issuing agents						
1945	24,038	15,232	3,477	2,081	[3] 9,605	(3)	54,433
1950	25,060	15,225	1,557	522	3,052	550	45,966
1955	2,476	15,692	1,555	428	2,942	588	23,681
1960	1,093	16,436	1,851	320	2,352	643	22,695
1965	943	14,095	1,702	246	1,695	510	19,191
1966	934	14,114	1,710	241	1,621	482	19,102
1967	901	14,181	1,717	231	1,541	460	19,031
1968	870	14,234	1,701	227	1,485	448	18,965
1969	836	14,267	1,711	230	1,408	446	18,897
1970	777	14,319	1,698	224	1,365	442	18,825
	Paying agents						
1945		13,466					13,466
1950		15,623	874	137		57	16,691
1955		16,269	1,188	139		56	17,652
1960		17,127	1,797	169		60	19,153
1965		14,190	1,816	157		15	16,178
1966		14,247	1,857	164		15	16,283
1967		14,264	1,884	165		14	16,327
1968		14,304	1,970	175		[4] 14	[4] 16,463
1969		14,336	1,997	176		[4] 15	[4] 16,524
1970		14,399	1,998	181		18	16,597

[1] Estimated by the Post Office Department for 1955 and thereafter. Sale of series E savings bonds was discontinued at post offices at the close of business on Dec. 31, 1953, except in those localities where no other public facilities for their sale were available.
[2] Effective Dec. 31, 1960, a substantial reduction was made due to reclassification by Federal Reserve banks to include only the actual number of entities currently qualified. Does not include branches active in the savings bond program.
[3] "All others" included with companies operating payroll plans.
[4] Revised.

Interest checks issued on current income-type savings bonds (series H) during the year totaled 4,706,645 with a value of $319,266,518. New accounts established for series H bonds totaled 83,396 while accounts closed totaled 167,000, a decrease of 83,604 accounts.

Applications received during the year for the issue of duplicates of savings bonds and savings notes lost, stolen, or destroyed after receipt by the registered owner or his agent totaled 43,445. In 24,070 of such cases the issuance of duplicate bonds was authorized. In addition,

27,813 applications for relief were received in cases where the original bonds were reported as not being received after having been mailed to the registered owner or his agent.

OFFICE OF THE TREASURER OF THE UNITED STATES

The Office of the Treasurer of the United States was created by the act of September 2, 1789 (1 Stat. 65; 31 U.S.C. 141), for the purpose of receiving, holding, and paying out the public moneys for the Federal Government. The office maintains accounts of the source, location, and disposition of these funds.

The Treasury checks issued to pay virtually all of the Federal Government's obligations are drawn on the Treasurer, and upon their presentment for payment are examined by the Treasurer's Office and reconciled against the records of the issuing officers. In fiscal 1970, almost 626 million checks were issued from about 2,000 disbursing stations.

Claims for checks that are lost in the mails, or which bear forged endorsements, are paid by the Treasurer by issuing or authorizing the issuance of new checks. The Treasurer also handles claims for partially destroyed paper currency.

Most of the Federal Government's operating cash is held in accounts of the Treasurer maintained in the Federal Reserve banks and branches, of which there are 36. These banks have been designated, pursuant to law, as fiscal agents of the United States. Revenue receipts, public debt borrowings and other incoming moneys are credited to those accounts, and checks drawn on the Treasurer are charged to those accounts after they have been endorsed by the payees and enter the banking system for collection from the Treasurer. The Federal Reserve banks make daily reports of these transactions to the Treasurer, who keeps cash accounts of the Federal Government's receipts and expenditures, and publishes daily reports of them.

Representatives of the Treasurer make regular inspections of the procedures employed by Federal Reserve banks in verifying and destroying paper currency of the United States which has become worn out and will be replaced. Unfit currency delivered to the Treasury in the Washington, D.C. area, is verified and destroyed by the Treasurer.

The Treasurer is vault custodian of a quantity of securities and other valuables deposited with the Treasury by many Government agencies.

In the Washington, D.C. area, the Treasurer supplies coin and currency to local banks, cashes checks drawn on the Treasurer, and issues and redeems Government bonds and other securities. In other parts of the country, these functions are performed by Federal Reserve banks and branches.

Management improvement

ADP management.—During fiscal 1970 the Treasurer's Office continued performing ADP services on a reimbursable basis and sharing its computer systems with other agencies. The computer systems were installed and are used primarily to process Government checks; however, during the year, the systems were used a total of 3,006 hours by personnel of the Treasurer's Office in performing services for other bureaus and agencies on a reimbursable basis. In addition, the systems

were used 1,365 hours by personnel of other agencies after regular working hours and on weekends when the equipment was not needed for operations performed by the Treasurer's Office. These agencies included the Post Office, Labor and HUD departments, the National Oceanographic Data Center, and the General Accounting Office.

About 90 percent of the computer systems were purchased in 1962 and 1963 and the purchase cost is fully amortized. Because of this, the Office was able to provide computer time to other agencies at a cost of less than $24,000. Purchase of this time through a commercial computer service company would have required an expenditure of $352,000, thus providing a cost avoidance of $328,000 to the serviced departments.

Tabulating equipment is used in support of the electronic equipment in this office. Some of this equipment has been purchased but most of it is being leased direct from the manufacturer. During fiscal 1970 orders were placed to substitute most of the leased tabulating equipment with equipment leased from another party; this will save $23,000 annually.

Check forgery insurance fund.—An additional $100,000 appropriated to the check forgery insurance fund in fiscal 1970 has enabled the office to accelerate settlements of check claims where forgery is involved and recovery has not been made from the endorsers. This is particularly helpful in cases where delay in recovering from endorsers causes personal hardships to the individuals entitled to the proceeds of the checks.

Delegation of authority to issue substitute checks.—During fiscal 1970 the Treasurer's Office delegated authority to the Departments of the Army, Navy, and Air Force to issue substitutes for checks drawn in payment of salaries and allowances when the checks are lost, stolen, or destroyed while in transit to the payees. Previously, these substitute checks could only be issued by the Department of the Treasury in Washington, D.C. These delegations of authority save several weeks in the issuance of substitute checks and reduce personal hardships to individuals who need the money.

Assets and liabilities in the Treasurer's account

A summary of the assets and liabilities in the Treasurer's account at the close of fiscal years 1969 and 1970 appears in the Statistical Appendix.

The assets of the Treasurer consist of gold bullion, coin, coinage metals, paper currency, deposits in Federal Reserve banks, and deposits in commercial banks designated as Government depositaries.

Gold.—The Treasurer's gold assets increased by approximately $1 billion during fiscal 1970.

On the daily Treasury statement basis, the beginning balance of $10,367.0 million was increased by purchases of $1,054.4 million. This was offset by sales of $39.9 million and by a withdrawal of $17.5 million by the International Monetary Fund, leaving a closing balance of $11,367.0 million.

Silver and other coinage metals.—On the daily Treasury statement basis, silver holdings decreased from $112.9 million to $76.3 million during fiscal 1970. Other coinage metals declined from $120.2 million to $71.7 million in the same period.

397–702 O—71——9

Balances with depositaries.—The following table shows the number of each class of depositaries and balances on June 30, 1970.

	Number of accounts with depositaries [1]	Deposits to the credit of the Treasurer of the United States, June 30, 1970
Federal Reserve banks and branches	36	[2] $1,359,705,310
Other domestic depositaries reporting directly to the Treasurer	21	9,107,725
Depositaries reporting through Federal Reserve banks:		
General depositaries, etc	1,790	190,508,140
Special depositaries, Treasury tax and loan accounts	12,726	6,929,174,606
Foreign depositaries [3]	54	18,099,625
Total	14,627	8,506,595,407

[1] Includes only depositaries having balances with the Treasurer of the United States on June 30, 1970. Excludes depositaries designated to furnish official checking account facilities or other services to Government officers, but which are not authorized to maintain accounts with the Treasurer. Banking institutions designated as general depositaries are frequently also designated as special depositaries, hence the total number of accounts exceeds the number of institutions involved.
[2] Includes checks for $354,921,404 in process of collection.
[3] Principally branches of U.S. banks and of the American Express International Banking Corp.

Bureau operations

Receiving and disbursing public moneys.—Government officers deposit moneys which they have collected to the credit of the Treasurer of the United States. Such deposits may be made with the Treasurer at Washington, or at Federal Reserve banks, or at designated Government depositaries, domestic or foreign. Certain taxes are also deposited directly by the employers or manufacturers who withhold or pay them. All payments are withdrawn from the Treasurer's account. Moneys deposited and withdrawn in fiscal years 1969 and 1970, exclusive of certain intragovernmental transactions, are shown in the following table on the daily Treasury statement basis.

Deposits, withdrawals, and balances in the Treasurer's account	1969	1970
Balance at beginning of fiscal year	$6,694,062,122	$7,103,538,020
Cash deposits:		
Internal revenue, customs, trust fund, and other collections	201,734,755,299	209,924,497,264
Public debt receipts [1]	314,836,956,194	339,673,982,332
Less:		
Accruals on savings bonds and notes, retirement plan bonds and Treasury bills	−6,269,766,952	−7,687,945,023
Purchases by Government agencies [2]	−89,894,340,903	−100,708,357,273
Sales of securities of Government agencies in market [2]	26,550,021,080	38,178,525,251
Total deposits	446,957,624,717	479,380,702,551
Cash withdrawals:		
Budget and trust accounts, etc	201,491,323,510	223,647,818,493
Public debt redemptions [1]	308,695,108,778	322,475,529,224
Less:		
Redemptions included in budget and trust accounts	−6,336,585,803	−6,529,767,707
Redemptions by Government agencies [2]	−81,745,188,465	−89,350,143,584
Redemptions of securities of Government agencies in market [2]	22,515,802,850	28,781,392,950
Total withdrawals	444,620,460,870	479,024,829,375
Change in clearing accounts (checks outstanding, deposits in transit, unclassified transactions, etc.), net deposits, or withdrawals (−)	−1,927,687,949	1,556,484,584
Balance at close of fiscal year	7,103,538,020	9,015,895,781

[1] For details see Statistical Appendix.
[2] "Government agencies," as here used, includes certain enterprises which were converted to private ownership during fiscal 1969.

Issuing and redeeming paper currency.—The Treasury is required by law (31 U.S.C. 404) to issue U.S. notes in amounts equal to those redeemed. In order to comply with this legal requirement in the most economical manner, U.S. notes are issued only in the $100 denomination and only for local distribution in the Washington, D.C., area. Unfit U.S. notes and silver certificates are redeemed and destroyed at the Federal Reserve banks and branches and at the Treasurer's Office in Washington, D.C.

Silver certificates are no longer issued and by late 1969 it was noted that the $1 certificates were only a fraction of 1 percent of the total $1 currency being redeemed, the remainder being Federal Reserve notes. Accordingly, effective January 1, 1970, the Federal Reserve banks and Treasurer's Cash Division were instructed to discontinue sorting unfit $1 currency. All $1 currency is processed as Federal Reserve notes when redeemed but a record is kept of the number of silver certificates found in sampling the currency for verification. From this, the number of silver certificates is determined for accounting purposes while the expense of manual sorting is avoided.

Federal Reserve notes constitute nearly 99 percent of the paper currency in circulation. When printed by the Bureau of Engraving and Printing, these notes are held in a reserve vault for the account of the Comptroller of the Currency. The Bureau ships notes to Federal Reserve banks and branches as needed. Federal Reserve banks then obtain notes for issuance to the commercial banking system by depositing equivalent amounts of collateral with their respective agents.

As the notes become unfit for further circulation, they are retired under procedures prescribed by the Fiscal Assistant Secretary pursuant to delegation from the Secretary. Approximately 97 percent of the notes retired are verified and destroyed at the Federal Reserve banks. The remaining 3 percent are verified and destroyed at the Treasury Department in Washington.

The Treasurer's Office accounts for Federal Reserve notes from the time that they are delivered by the Bureau of Engraving and Printing until retired and destroyed. The accounts show the amounts for each bank of issue and each denomination of notes held in the reserve vault, held by each Federal Reserve agent, or issued and outstanding.

The Treasurer's Office retires unfit paper currency of all types received locally in Washington and from Government officers abroad, and handles all claims involving burned or mutilated currency. During fiscal 1970, payments totaling $12.7 million were made to 52,000 claimants for burned and mutilated currency cases.

A comparison of the amounts of paper currency of all classes, issued, redeemed, and outstanding during the fiscal years 1969 and 1970 follows.

	Fiscal year 1969		Fiscal year 1970	
	Pieces	Amount	Pieces	Amount
Outstanding July 1	4, 825, 036, 060	$45, 078, 310, 143	5, 082, 750, 607	$47, 912, 760, 981
Issues during year	2, 381, 911, 597	13, 895, 698, 395	2, 477, 156, 223	15, 221, 189, 800
Redemptions during year	2, 124, 197, 050	11, 061, 247, 557	2, 186, 042, 681	12, 079, 049, 836
Outstanding June 30	5, 082, 750, 607	47, 912, 760, 981	5, 373, 864, 149	51, 054, 900, 945

Details of the issues and redemptions for fiscal 1970 and of the amounts outstanding at the yearend are given by class of currency and by denomination in a table in the Statistical Appendix. Other tables in that volume give further information on the stock and circulation of money in the United States.

Processing Federal tax deposits.—Under provisions of Treasury Department Circular No. 1079, tax withholders and certain taxpayers are supplied with partially punched cards which they forward to their banks with their tax payments. The cards are then routed to Federal Reserve banks which complete the punching and forward the cards to the Treasurer's Office in Washington. The Treasurer's Office enters the data from the cards on magnetic tapes which are furnished to the Internal Revenue Service for reconciliation with taxpayers' returns. This procedure obviates the need for any handling of tax remittances in the Department and expedites the crediting of tax payments in the Treasurer's account.

The types of tax payments collected in this manner include withheld individual income and social security taxes, corporation income taxes, certain excise taxes, railroad retirement taxes, and, beginning in 1970, Federal unemployment taxes. Payments received under this procedure in fiscal 1970 totaled $145,718.7 million and required the processing of 28.5 million cards, compared with $133,092.2 million collected and 25.5 million cards processed in the previous year.

Paying grants through letters of credit.—Treasury Department Circular No. 1075, dated May 28, 1964, established a procedure "to preclude withdrawals from the Treasury any sooner than necessary" in cases where Federal programs are financed by grants or other payments to State or local governments or to educational or other institutions. Under this procedure, Government departments and agencies issue letters of credit which permit grantees to make withdrawals from the account of the Treasurer of the United States as they need funds to accomplish the object for which a grant has been awarded.

By the close of fiscal 1970, 50 Government agency accounting stations were making disbursements through letters of credit. A total of 65,910 withdrawal transactions, aggregating $24,786.4 million, were processed during the year, compared with 61,259 transactions, totaling $21,089.5 million in fiscal 1969.

Checking accounts of disbursing officers and agencies.—As of June 30, 1970, the Treasurer maintained 1,988 checking accounts, compared with 2,114 the year before. The number of checks paid by categories of disbursing officers during fiscal 1969 and 1970 follow.

Disbursing officers	Number of checks paid	
	1969	1970
Treasury	441, 920, 785	481, 595, 416
Air Force	35, 643, 468	36, 051, 151
Army	39, 298, 690	38, 722, 671
Navy	41, 231, 278	41, 357, 002
Other	26, 702, 633	27, 991, 327
Total	584, 796, 854	625, 717, 567

Settling check claims.—During fiscal 1970 the Treasurer processed almost 800,000 requests to stop payment on Government checks, and 120,000 requests to remove stoppage of payment.

The Treasurer acted upon 386,000 paid check claims during the year, including those referred to the U.S. Secret Service for investigation because of forgery, alteration, counterfeiting, or fraudulent issuance and negotiation of Government checks. Reclamation was requested from those having liability to the United States on 54,000 claims, and $7.7 million was recovered. Settlements and adjustments were made on 45,000 cases totaling $8.6 million. Disbursements during the year from the check forgery insurance fund, established to enable the Treasurer to expedite settlement of check claims, totaled $806,000. As recoveries are made, these moneys are restored to the fund. Settlements totaling almost $8 million have been made from the Treasurer's check forgery insurance fund since it was established in November 1941.

Claims by payees and others involving 190,000 outstanding checks were acted upon. Of these, 169,000 were certified for issuance of substitute checks valued at $61 million to replace checks that were not received or were lost, stolen, or destroyed.

The Treasurer treated as canceled and transferred to accounts of agencies concerned for adjustment purposes the proceeds of 22,000 unavailable outstanding checks, totaling $4.8 million.

Collecting checks deposited.—Government offices during the year deposited 9.6 million commercial checks, drafts, money orders, etc., with the Treasurer's Cash Division in Washington for collection.

Custody of securities.—The face value of securities held in the custody of the Treasurer as of June 30, 1969, and June 30, 1970, is shown below.

Purpose for which held	June 30	
	1969	1970
As collateral:		
To secure deposits of public moneys in depositary banks	$40, 653, 200	$39, 615, 100
In lieu of sureties	2, 345, 500	3, 632, 850
In custody for Government officers and others:		
For the Secretary of the Treasury [1]	34, 643, 999, 656	36, 600, 036, 156
For the Comptroller of the Currency	10, 452, 500	10, 462, 500
For the Federal Deposit Insurance Corporation	245, 000, 000	245, 000, 000
For the Rural Electrification Administration	159, 748, 818	154, 048, 600
For the District of Columbia	251, 259, 879	316, 243, 623
For the Commissioner of Indian Affairs	47, 363, 325	222, 754, 650
Foreign obligations [2]	12, 036, 695, 451	12, 032, 489, 451
Other [3]	44, 290, 017	42, 448, 697
For Government security transactions:		
Unissued bearer securities	1, 652, 192, 800	1, 681, 304, 250
Total	49, 134, 001, 146	51, 348, 035, 877

[1] Includes those securities of Government corporations and other business-type activities reported in the Statistical Appendix as held by the Treasury.
[2] Issued by foreign governments to the United States for indebtedness arising from World War I.
[3] Includes U.S. savings bonds in safekeeping for individuals.

Servicing securities for Government corporations, and Federal and non-Federal agencies.—In accordance with agreements between the Secretary of the Treasury and various Government corporations and agencies, the Treasurer of the United States acts as special agent for

the payment of principal and interest on their securities. A comparison of these payments during the fiscal years 1969 and 1970, on the daily Treasury statement basis is as follows.

Payment made for	1969		1970	
	Principal redeemed	Interest paid	Principal redeemed	Interest paid
Banks for cooperatives	$2,629,450,000	$75,469,956	$2,946,645,000	$109,623,217
District of Columbia Armory Board		714,252		799,428
Federal home loan banks	4,163,905,000	266,429,348	5,256,549,000	425,258,008
Federal Housing Administration	43,610,350	23,726,623	85,851,400	23,431,217
Federal intermediate credit banks	4,919,240,000	218,514,873	5,615,135,000	289,856,144
Federal land banks	1,508,483,000	284,307,908	2,317,557,700	336,911,251
Federal National Mortgage Association	936,347,000	177,093,853	1,239,729,000	328,263,373
Others	119,000	33,983	114,850	30,058
Total	14,201,154,350	1,046,290,796	17,461,581,950	1,514,172,696

Office of Foreign Assets Control

The Office of Foreign Assets Control administers the Foreign Assets Control Regulations and the Cuban Assets Control Regulations. These regulations block the assets in the United States of Communist China, North Korea, North Vietnam, Cuba, and nationals thereof, and prohibit, except pursuant to license, trade and financial transactions on behalf of such countries and their nationals or involving their property. The major purpose of the regulations is to prevent the authorities of the blocked countries from utilizing their dollar assets in the United States and to preclude the acquisition by those authorities of foreign exchange through transactions with Americans.

During fiscal 1970, the Foreign Assets Control Regulations were amended in an important respect by the issuance of general licenses authorizing among other things, the following: (1) Trade and financial transactions with mainland China and dealings in merchandise originating in mainland China or presumed to originate there, by American owned or controlled business enterprises and banks located in foreign countries, except trade or financial transactions involving strategic merchandise, U.S. dollar accounts, or the shipment of U.S. origin goods and goods produced abroad with U.S. components unless such shipment is authorized by the Department of Commerce; and, (2) the purchase abroad or importation for noncommercial purposes by Americans, including individuals in the United States, of any merchandise of mainland Chinese origin or any presumptive merchandise.

The Office also administers the Transaction Control Regulations which supplement the export controls exercised by the Department of Commerce over direct exports from the United States to Eastern Europe and the U.S.S.R. These regulations prohibit, unless licensed, any person within the United States from purchasing or selling or arranging the purchase or sale of internationally controlled strategic commodities located outside the United States for ultimate delivery to Eastern Europe and the U.S.S.R. The prohibitions apply not only to domestic American companies but also to foreign firms owned or controlled by persons within the United States.

The administration of assets remaining blocked under the World War II Foreign Funds Control Regulations was continued. These regulations apply to assets blocked under Executive Order 8389, as amended, of Hungary, Czechoslovakia, Estonia, Latvia, Lithuania, East Germany, and nationals thereof who were, on January 1, 1945, in Hungary or on December 7, 1945, in Czechoslovakia, Estonia, Latvia or Lithuania, or on December 31, 1946, in East Germany.

The Office of Foreign Assets Control continued the administration of the Rhodesian Sanctions Regulations. These regulations were issued under Executive Order 11419 of July 29, 1968, which extended the mandatory economic sanctions against Southern Rhodesia under United Nations' resolutions.

Under the Foreign Assets Control and the Transaction Control Regulations, the number of specific license applications received (including applications reopened) during fiscal 1970 was 3,487. During that period a total of 3,541 was acted on.

Under the Cuban Assets Control Regulations, 478 applications for licenses were received (including applications reopened) during the fiscal year, and 547 applications were acted on. Comparable figures under the Foreign Funds Control Regulations were 99 applications received and 96 acted on. Under the Rhodesian Sanctions Control Regulations, 391 applications were received and 390 acted on.

Certain broad categories of unexceptionable transactions are covered by general licenses set forth in the above regulations, and such transactions may be engaged in by interested parties without need for securing specific licenses.

The enforcement efforts of the Office of Foreign Assets Control have resulted in the referral of five cases to the Department of Justice during the fiscal year for criminal violations of the regulations administered by this Office. In one of these cases the defendant was convicted and fined $10,000. Criminal action is pending in the other cases. Also, violations of the Foreign Assets Control Regulations led to the forfeiture to the United States, under applicable Customs laws, of merchandise totaling $84,000. In addition, merchandise tentatively valued at approximately $396,000 was seized and is expected to be forfeited after the completion of the necessary formal procedures. In still other cases where forfeitures and civil penalties were mitigated as a result of extenuating circumstances, more than $330,000 was collected in lieu of forfeiture and civil penalties.

Internal Revenue Service [1]

The Internal Revenue Service administers the internal revenue laws embodied in the Internal Revenue Code (title 26 U.S.C.) and certain other statutes, including the Federal Alcohol Administration Act (27 U.S.C. 201–212), the Liquor Enforcement Act of 1936 (18 U.S.C. 1261, 1262, 3615), the Gun Control Act of 1968 (18 U.S.C., chapter 44), and Title VII of the Omnibus Crime Control and Safe Streets Act of 1968 (18 U.S.C. 1201–1203). It is the mission of the Service to encourage and achieve the highest possible degree of voluntary compliance with the tax laws and regulations.

[1] Additional information will be found in the separate "Annual Report of the Commissioner of Internal Revenue."

Financial management activities

Financial resources were strained in fiscal 1970. Funds planned for specific programs were used for unanticipated cost increases. To meet these increases the Service was forced to severely restrict purchasing, training, and travel. Recruitment was restricted by overall Government limitations during the last half of the fiscal year. The ceiling for permanent employment was 61,442 and June 30 employment was 152 under the ceiling. The restrictions seriously jeopardized the Service's ability to fulfill its mission and resulted in the loss of revenue from the principal compliance programs.

Management of resources enabled the Service to conduct operations without overexpending. Of the total authorization of $881.5 million, $879.1 million was obligated as of June 30. Of the $2.4 million unobligated balance, $1.5 million was reserved to offset pay act increases. With this amount excluded, the Service came within one-tenth of 1 percent of utilizing all money available.

Informing and assisting taxpayers

In fiscal 1970, the Service continued its efforts to make the self-assessment tax system more effective. In addition to numerous actions designed to improve direct communications with taxpayers, three major public information campaigns were developed for use during the filing period: Introduction of the new form 1040 used by all taxpayers; prevention of errors on tax returns; and reaching taxpayers who delayed filing their returns pending anticipated changes in tax laws.

The Service developed a publicity campaign to minimize the impact of the changeover for some 20 million former 1040A filers, and to gain public understanding for the change. Special "1040 packages" were prepared for media use, with emphasis on television, newspapers, and magazines. The Service printed and distributed 50,000 posters to postmasters for display on the sides of mail trucks during January 1970.

To reduce the number of errors on individual income tax returns, the Service conducted a vigorous publicity campaign alerting taxpayers of the most common errors made in preparing tax returns. The error reduction campaign was geared to the idea that "errors can delay tax refunds."

Use of public information materials was extensive. The weekly "question and answer" column based on the most frequently asked taxpayer questions was used during the filing period by 1,132 daily and 4,035 weekly newspapers.

Service personnel gave more than 5,500 speeches to civic and practitioner groups, handled more than 40,000 media inquiries, and arranged for approximately 3,500 interviews throughout the country. District and regional officials participated in 5,500 locally-developed radio and television presentations. Service-produced materials were used by 4,235 radio stations and 720 television outlets. The Service made available 16 television spot announcements, a 27½-minute color film for television viewing, a 12-minute slide presentation designed for use at group meetings, a number of radio spot announcements, and a 10-minute film for theater showing.

During the filing period, weekly error rates were made available to field offices so that local releases could pinpoint problem areas. To encourage prompt filing, weekly releases were distributed citing the number of returns filed and refunds issued.

Taxpayer assistance program.—Nearly 28 million taxpayers were served by Internal Revenue Service offices in 1970, excluding requests for tax forms and publications. These contacts were handled by 1,176 taxpayer service representatives who provided year-round service at 373 locations and, on designated days, at 156 locations not staffed with full-time taxpayer service employees. During peak filing periods, these personnel are augmented by temporary employees who are trained to answer questions of limited scope.

Tax forms activity

The major impact on tax return forms in fiscal 1970 resulted from the passage of the Tax Reform Act of 1969 and the decision by the Service to combine forms 1040 and 1040A into a single form.

The Tax Reform Act posed many filing problems because of its far ranging effect and varying effective dates. Of immediate concern were the retroactive provisions because they affected periods for which returns could already have been filed and circumstances under which amended returns could be required. Several new forms (including forms for fiscal year computations) were developed on a "crash" basis.

The decision to provide a single return for use by all individual taxpayers was based, in part, on study findings that many filers lost the benefits of certain deductions and tax credits because they filed form 1040A rather than form 1040. The use of one individual income tax form was considered to be the best means of insuring that all filers are made aware of available benefits.

The disappearance of form 1040A generated a number of adverse and constructive comments. The constructive comments will be considered in developing the 1970 tax form together with the results of a study by a private firm to report on taxpayer experience with the form 1040 during the last filing period.

Tax rulings.—The Service responds to written inquiries from individuals and organizations as to their status for tax purposes and as to the tax effects of proposed transactions in the form of rulings. District directors request technical advice from the national office in connection with the examination of a taxpayer's return or claim for refund. During the year 25,612 requests for letter rulings and 1,352 requests for technical advice were processed.

Regulations program.—A great part of fiscal 1970 was devoted to developing appropriate regulations under the Tax Reform Act, in keeping with a priority system that will take care of the greatest needs first. By the close of the year, four final regulations, 17 temporary regulations, and five notices of proposed rulemaking had been published covering projects under the Tax Reform Act. Ten other regulations and four notices of proposed rulemaking were published in the "Federal Register."

Personnel

Despite hiring restrictions fiscal 1970 was a successful recruitment year in terms of the Service's ability to attract quality recruits. Recruiters exceeded expectations in filling positions authorized after the close of the 1968–69 school year. A significant element in the successful hiring effort was advertising placed in newspapers and professional journals.

Hiring in alcohol, tobacco, firearms and intelligence activities reached an alltime high. Recruits were needed to replace investigators selected for the organized crime drive program and to meet the workload resulting from firearms legislation.

The initial results of the Service's experiment with the Assessment Center technique proved to be a valuable adjunct to traditional methods of evaluating and selecting personnel. This advanced selection technique was adapted by the Service from a Bell Telephone System prototype application. It provides an objective look at candidates for supervisory positions during a 2-day series of simulated work situations, group exercises, and interviews.

Training

Specific programs concerned with job problems and situations, as well as generalized management training programs, were provided for managers. Formal training was combined with assignments as acting managers to build a high level of managerial skill and an awareness of responsibilities. During formal training, Service managers and executives were used as instructors, making the programs more realistic.

The executive development program provided participants with the broadening experience and training needed for their future roles as assistant district directors and assistant service center directors. The program participants visited regional, district, and service center offices to observe management activities and to gain familiarity with operations. A new feature of this year's program was the introduction of an electronic data processing system and its connection with district and service center operations.

Selected articles and readings were distributed periodically under the readings in management program as part of the development of supervisors and managers. This program provides an opportunity for incumbents to read the latest theories and ideas in a broad range of topics of concern and interest.

Internal revenue collections and refunds

Gross collections.—Gross collections rose to a record high of $195.7 billion, an increase of $7.8 billion (4.1 percent) over fiscal 1969.

The Federal tax deposit (FTD) system accounted for $145.0 billion or 74.1 percent of all Federal tax collections. This was an increase of $11.2 billion or 8.3 percent over the prior year.

Payment by FTD was extended to Federal Unemployment Act tax, (FUTA) on January 1, 1970. This tax, now payable quarterly rather than annually, generated revenues of $768.1 million for the last half of the fiscal year for an increase of $136.4 million or 21.6 percent over the comparable period for fiscal 1969.

The tax surcharge was in effect through December 31, 1969, at the 10-percent rate. The Tax Reform Act of 1969 reduced the surcharge to a 5-percent rate for both individuals and corporations for the period January 1 to June 30, 1970.

Increased rates for Federal Insurance Contributions Act taxes (FICA) and Self Employment Contributions Act taxes (SECA) were in effect for the full year. The total employee-employer rate for FICA tax increased from 8.8 to 9.6 percent, and SECA tax increased from 6.4 to 6.9 percent.

All major classes of tax, except corporation income tax and individual income tax (other than withheld), recorded gains over the preceding year. Both of these taxes had big increases in 1969 (30.1 percent for individuals and 28.2 percent for corporations), thus accentuating their performance for 1970.

Corporation income taxes fell from $38.3 billion in 1969 to $35 billion in 1970 and individual income taxes (other than withheld) fell from $27.3 billion in 1969 to $26.2 billion in 1970.

Refunds.—In 1970, 55.3 million taxpaying entities received a refund check from the Service. The number of refunds increased 11.4 percent over 1969.

In total, the Service returned $16.1 billion in tax overpayments and paid out interest of $112.9 million (down 6.0 percent). Interest per dollar refunded was reduced from 0.9 cent (9 mills) to 0.7 cent (7 mills), a decrease of 22.9 percent.

Approximately 70 percent of form 1040 filers, representing 54.4 million refunds, received an average refund of $248. The Nation's individual taxpayers received $13.5 billion in refund principal. Interest paid by the Service in 1970 for individual refunds declined $4.5 million (13.8 percent) to $28 million.

Corporation income tax refunds (principal only) amounted to $2.2 billion, an increase of 33.0 percent over 1969. Interest of $70.9 million paid on corporation refunds decreased 5.5 percent from the preceding year.

Receipt and processing of returns

Number of returns filed.—More than 113 million returns were filed in 1970, reflecting the continued substantial growth of recent years. This represents an increase of about 3 million returns over the previous year.

The Service completed implementation of direct filing authorized by legislation in 1966. Direct filing of returns with service centers has provided benefits for both taxpayers and the Service. Taxpayers have benefited from accelerated processing and refunding and the Service has reduced handling and processing costs associated with transshipment of returns between outlying offices and service centers.

Mathematical verification.—A total of 77.1 million form 1040 returns were filed in 1970. Taxpayers made errors which would have cost them a total $212.3 million, had the Service through its computerized math-verification program not detected their errors. Correction of 4.2 million other taxpayers' mistakes resulted in upward adjustment of tax liabilities totaling $507 million.

Including both upward and downward adjustments of tax liability, about one in every 12 returns contained a mathematical error (im-

proper arithmetic or use of inapplicable tax rates, etc.). On balance, the Government realized $294.7 million from mathematical verification of 88.4 million form 1040 returns.

The total number of returns verified increased 22.5 million or 34 percent over last year. The increase was caused by 5.4 million more returns carried over from June 1969 to be processed in fiscal 1970, and processing practically all returns filed during the January to June 1970 period.

Enforcement activities

The enforcement activities of the Service are directed toward assuring that tax liabilities are properly determined and paid according to law, and that neither unintentional error nor willful intent shall result in overpayment or underpayment of tax.

Examination of returns.—The examination function is a major role in the Service's enforcement effort and a necessary ingredient to effective taxpayer compliance. Preliminary data indicate that in 1970 1.9 million returns were examined resulting in recommendations that an additional $3.2 billion in tax and penalties be assessed. In some cases, the examining officers find that the taxpayer has overstated his liability. Claims for refund generally result from discoveries by taxpayers of errors made in reporting their tax liabilities. However, there are a number of other sources, such as carry-overs and carry-backs of credits or net operating losses, which are provided for in the Internal Revenue Code.

When claims and Service records are sufficiently complete to permit allowance of the claims, they are reviewed and disposed of promptly without contacting the taxpayers. Form 1040X, (Amended U.S. Individual Income Tax Return) introduced in 1969 provides more complete documentation of the basis for refunds to taxpayers and permits more expeditious processing.

The Discriminant Function System (DIF), inaugurated last year, became fully operational this year for all individual returns except those under jurisdiction of the Office of International Operations. Under the DIF system, proven mathematical formulas are programed into the computer to score and rank individual returns in numeric sequence—highest to lowest—according to audit potential. The highest scored returns are delivered to district offices based on workload needs. The most significant aspect of DIF is the uniformity in selecting returns. Other benefits derived from the system include reduction in the number of audits that result in little or no tax change, and savings in manpower previously required to manually screen returns prior to assignment for examination.

Expanded exempt organization program.—Plans for an intensified exempt organization enforcement effort reached fruition during 1970. A coordinating committee chaired by the Commissioner and consisting of three Assistant Commissioners (compliance, data processing, and technical) was established to provide Service policy and direct the exempt organization enforcement effort.

The Service has centralized all exempt organizations work in 16 key district offices throughout the United States. Each key district has at least one group of specially trained agents to conduct examina-

tions of exempt organizations and to assist in the processing of applications for exemption.

An Exempt Organizations Examination Branch established in the National Office Audit Division oversees and coordinates the efforts of each key district. The branch develops the broad nation-wide exempt organization audit program and specifications for the annual work plan for field activity. It is involved in the planning and directing of examinations of certain large, complex organizations whose activities have national impact. This includes a review of the audit plan for each case and monitoring the progress of the audit.

Field support functions include research and analysis into program effectiveness, long-range problem solving, perfection of examination procedures and techniques, identification of needs for training courses and materials, and liaison with other units of the Service on exempt organization matters.

Collection of past-due accounts.—The Service must make every reasonable effort to collect taxes due. The first step involves sending notices to taxpayers requesting payment. If the taxpayer does not comply, past-due accounts are established and enforcement personnel take over.

Over 2.6 million past-due accounts were established in 1970, some 140,000 or 6 percent higher than last year. Reflecting this increase, the amount of delinquent tax rose some $506 million, or 18 percent, to $3.3 billion in 1970.

The Service closed 2.6 million past-due accounts in 1970. This was an increase of 275,000 accounts or 12 percent, over 1969 disposals. The value rose to $3.3 billion, a marked jump of $846 million over 1969.

Changes in the economy, particularly when adverse, have a direct impact on collection of taxes. This year, inflation pressures and higher interest rates have increased the tendency of some employers to "borrow" withheld or employment taxes as working capital. Use of these moneys as working capital amounts to misappropriation of funds. The Service has devoted special attention to these delinquent taxpayers and accelerated enforcement actions to collect these accounts. The Government 6 percent interest rate charge is low compared with the going rate of commercial loans and may have influenced enforcement success. Congress recognized this problem and provided a penalty in the Tax Reform Act of 1969 for failure to pay taxes when due.

Delinquent returns.—Although the vast majority of taxpayers fulfill their filing obligations timely and voluntarily, there are those who do not. Searching out those who are delinquent filers has been a painstaking and time consuming task, particularly since the Nation's population is highly mobile and the geography involved is vast. In recent years, however, and increasingly so in 1970, enforcement efforts directed towards coping with the delinquent filer have been greatly aided by increased use of the automatic data processing system.

The rise in past due account workload prevented the same level of personnel deployment as last year to delinquent returns activities. Nevertheless, there was still a significant dollar return compared to the manpower invested. A total of 671,000 returns reflecting assessments aggregating $311.2 million were secured through various estab-

lished delinquent returns programs. Preliminary data indicate that an additional 48,000 delinquent returns valued at $41.7 million were secured through the returns examination program.

Automatic data processing files trigger delinquency leads.—Three automatic data processing files, the Business Master File (BMF), the Individual Master File (IMF), and the Exempt Organization Master File (EOMF), are today at the heart of a large portion of the Service's delinquent returns activities. Because tax regulations and filing periods vary, each file works differently to check for delinquent taxpayers. The aim and result, however, are the same—to trigger a delinquency notice or investigation in any apparent nonfiler situation.

Overall benefits and results of the delinquency check computer programs are impressive. For example, approximately 50 percent of all apparent nonfiler cases, regardless of program, are resolved through computer generated issuances. Paper processing and other clerical savings in these ADP operations justify the Service's objective of complete automatic data processing control and maintenance for all delinquent returns programs.

Tax fraud investigations, indictments, and convictions.—A total of 8,068 fraud investigations were completed during the year, with prosecution recommended in 1,118 cases. More than 122,000 allegations of fraud were screened and evaluated in selecting the investigative caseload.

Indictments were returned against 933 defendants in tax fraud cases in fiscal 1970. Pleas of guilty or *nolo contendere* were entered for 472 defendants in cases reaching the courts; 77 defendants were convicted after trial, 26 were acquitted and cases against 76 were nol-prossed or dismissed.

Fight against organized crime.—The Internal Revenue Service's participation in the war against organized crime is accorded highest priority. The application of resources to the racketeer segment of the Service's overall program has steadily increased. The expertise which the Service has built in its tax investigations of racketeers has enabled it to move readily in any area singled out by the Department of Justice for strike force activity.

Strike forces active.—The strike force concept, which melds the energies and expertise of several Federal law enforcement authorities under the direction of the Department of Justice, has been validated by the results obtained in several major crime centers across the Nation. Additional units are scheduled for deployment to other areas of significant organized crime influence.

Strike force energies are generally concentrated on criminal combines in specific geographical areas. The Service continually seeks to improve its intelligence gathering and retention system, an essential tool for the efficient and expeditious investigation of tax fraud cases involving top echelon racketeers whose personal activities are usually deeply cloaked in secrecy and often extend beyond State and national borders. The bits and pieces of intelligence that surface periodically in scattered areas are maintained in a common depository where they can be put together, evaluated and made available to the field forces for comprehensive investigaton.

In connection with the strike force effort, there were 1,472 examinations in progress by the Audit Division, 896 investigations being pursued by the Intelligence Division, and 161 cases being worked by the Alcohol, Tobacco, and Firearms Division as of the fiscal yearend.

Alcohol and tobacco tax administration.—The traffic in illicit liquor remains centered in the southeastern portion of the United States, accounting for over 90 percent of the illicit distillery seizures in the Nation. The heavy concentration of investigative officers in the principal problem areas has proven extremely effective. Available manpower resources were spread thin in current "Operation Dry-Up" target areas, but progress justified continued priority emphasis on this program.

Increased revenue accruals to the States as well as to the Federal Government in the three States directly affected by Operation Dry-Up have increased substantially. Dry-Up has also made a tangible contribution to social and health benefits.

It is estimated that Operation Dry-Up produced more than $46 million in additional revenue by changing the purchasing pattern of alcoholic beverages from illicit to legal markets.

A survey conducted in the southeastern region during the early spring of 1970, resulted in the seizure of 1,611 illicit distilleries and 6,427 gallons of non-taxpaid distilled spirits.

The Forensic Group of the National Office Laboratory is engaged in the analysis of physical evidence connected with illicit distilled spirits seizures, firearms violations, destructive device controls, tax depletion allowances, organized crime investigations, document examinations from intelligence cases, and specialized examinations for State and local governments and Federal agencies. In fiscal 1970, 560 cases involving 5,300 specimens were examined compared with 390 cases involving 2,700 specimens examined in fiscal 1969.

In the area of research and development, manpower was devoted to development of techniques for dating ballpoint, writing and felt tip inks. Work in bomb residue detection was given high priority because of its importance and the large number of samples submitted for examination.

Firearms law enforcement.—The Service is responsible for enforcing the Nation's Federal gun laws. This responsibility was initially given to the Service with the enactment of the National Firearms Act in 1934, designed to control gangster-type weapons, and was increased with passage of the Federal Firearms Act in 1938 and the Gun Control Act of 1968.

In 1970 a total of 627 investigator man-years were used on firearm activities compared with 442 in 1969. Investigations conducted under the firearm program in 1970 led to completion of 2,975 criminal cases, arrests of 1,957 violator and seizure of 3,037 firearms. These figures compare with 1,595 criminal cases, 715 arrests and 4,152 firearms seized in 1969. In the regulatory area, 54,369 investigations of the activities and operations of licensees were completed leading to the discovery of 300 purchasers who had used fictitious names or addresses.

In its second year of administering the provisions of the Gun Control Act of 1968 relating to importation of firearms and ammunition, the Service received 24,360 applications for permits to import firearms

and ammunition. During the same period 1,054,282 sporting firearms were imported, and 1,128 applications were disapproved covering imports totaling 12,412 firearms not meeting the importation criteria.

Administrative appeals system

Taxpayer has opportunity for independent administrative review.—In the examination of about 2½ million tax returns each year it is inevitable that some taxpayers will disagree with proposed adjustments to their tax liability. It has been a long-standing policy of the Service to provide an administrative appeals procedure to enable taxpayers to settle these unagreed cases promptly, without litigation, on a basis which is fair and impartial to both taxpayer and Government. The success of the procedure is evidenced by the fact that during the last 5 years over 98 percent of all disputed cases were closed without trial.

The appeals function operates at both district and regional levels through 58 district conference staffs, 40 regional appellate division offices, and at other locations where full-time conference staffs are not maintained. These offices consider issues relating to all internal revenue taxes except those on alcohol, tobacco, firearms, narcotics and wagering.

Taxpayer has other options available.—If agreement is not reached at either the district or regional office, the taxpayer can, in most cases, file an appeal with the Tax Court. Even though this is done, and the case is docketed for trial, the taxpayer may still try to reach a basis of settlement with the regional appellate office. As an alternative to trial in the Tax Court the taxpayer can take his case to the Court of Claims or a U.S. District Court, but this requires payment of the proposed deficiency in tax, followed by the filing of a claim for refund.

For 1970, the appeals function disposed of 52,324 cases by agreement compared to 946 cases decided in the Tax Court and 367 cases decided in district courts and the Court of Claims. About half of the cases closed by agreement were at the district level and half at the regional level. District conference staffs obtained agreements in about 65 percent of the cases they closed.

The major portion (over 80 percent) of the appellate workload consists of nondocketed cases. These are cases in which taxpayers have elected to try to settle their tax disputes with the Service rather than go direct to court. In 1970, 82 percent of these cases were closed by agreement with the taxpayer. Agreements on cases of this kind have averaged 82 percent over the past 5 years.

International activities

The Service has a broad overseas program consisting of three functions: (1) Administration of tax laws as they apply to U.S. citizens living abroad, nonresident aliens, and foreign corporations; (2) providing assistance when requested to developing countries in improving their systems of tax administration; and (3) participation in the negotiation of tax conventions or treaties with foreign countries to prevent economic double taxation.

International operations.—The Service maintains foreign posts in Bonn, London, Manila, Mexico City, Ottawa, Paris, Rome, Saigon, Sao Paulo, and Tokyo.

The functions of the foreign posts include district type activities such as audit, collection, informal conference, locating and interviewing witnesses, assisting with depositions, serving summonses, and arranging contacts. Compliance is promoted by assisting U.S. taxpayers residing abroad. This year, 20 agents were sent throughout the free world, stopping in 97 cities in 50 countries to assist more than 29,000 taxpayers in filing their U.S. tax returns. Tax seminars were conducted in 73 cities, attended by more than 5,000 taxpayers. Nearly 900 servicemen stationed abroad were given basic income tax instruction by Service personnel to provide the military community with its own tax assistors.

Tax conventions.—The Office of the Chief Counsel, as representatives of the Commissioner of Internal Revenue, assisted the Treasury Department in negotiations with Trinidad and Tobago, Norway, and Turkey concerning bilateral income tax conventions. Negotiations also took place with France concerning a bilateral estate tax convention and a protocol to the income tax convention which would have the effect of extending the dividend tax credit to certain U.S. residents.

An estate tax convention was signed with the Netherlands on July 15, 1969. On January 9, 1970, a new income tax convention with Trinidad and Tobago was signed, and on March 6, 1970, an income tax convention with Finland was signed.

Foreign tax assistance.—Starting its eighth year, the foreign tax assistance program continues to provide technical assistance and training in tax administration to developing countries upon request. It is a joint effort with the Agency for International Development (AID), which provides funds and overall development policy, and the Service, which provides the technical program, direction and staffing. International and private organizations are continually consulted to insure consistency and prevent duplication of effort. Those contacted are the Organization of American States, the Inter-American Development Bank, the International Monetary Fund, the United Nations and others. Technical assistance and technical training are provided in the host countries while the orientation and training of supervisory and managerial tax officials is done in the United States, normally in English, Spanish, or Portuguese. One management course was presented this year in Korean. During fiscal 1970, 513 tax administration and finance ministry officials from 67 countries visited the Service for orientation and training. A total of 2,206 officials from 97 foreign countries and four U.S. dependencies have received orientation or training by the Service since the start of the program. An average of 53 long-term advisors staffed advisory teams active in 18 foreign countries.

The Inter-American Center of Tax Administration (CIAT), a regional self-help institution composed of the principal tax administrators of Western Hemisphere countries, continues to grow. Jamaica became the 22d member just prior to the Fourth General Assembly in Montevideo, Uruguay in May 1970. The U.S. Delegation to the Assembly was led by Commissioner Thrower, who presented a paper entitled, "Regulations and Rulings—Their Contribution to Improved Tax Administration in the United States."

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Earlier, CIAT had sponsored a technical seminar for managers of automatic data processing systems which was held in Bogota, Colombia. Deputy Commissioner Smith presented the opening paper on the "Internal Organization of ADP" and Vito Natrella, Director of Statistics Division made a presentation on the "Tax Return as a Statistical Document: The U.S. Experience."

Planning activities

Although planning occurs at every level of an organization, the Service, through its Planning and Research Staff provides full-time professional planners to conduct studies, prepare analyses, and develop forecasts.

The Service played an important role in initiating several provisions of the Tax Reform Act of 1969 which were designed to minimize overwithholding of tax from wages, and to eliminate millions of nontaxable returns from low-income taxpayers.

Improvement in withholding.—A study completed in early fiscal 1970 showed that the chief cause of overpayment of individual income taxes was voluntary overwithholding arranged by employees with their employers. Voluntary overwithholding is estimated to be a cause of overpayment on 42 percent of the returns covered by the study, and accounts for 39 percent of the total amount of overpayment. Itemized deductions contributed to overpayment on 33 percent of the returns and accounted for 22 percent of the total overpayment. Intermittent employment also was an overpayment cause on 33 percent of the returns but accounted for only 11 percent of the overpayments.

Developments in tax administration.—Other research activities in fiscal 1970 have focused on three areas—providing assistance to payers of annuities and pensions; questionnaire surveys of taxpayer reactions to certain tax returns; and compliance studies.

Two surveys of taxpayer reaction are underway. In one, individual income tax return filers are being requested to give their reactions to the consolidation of the form 1040 and form 1040A. The other survey, still in the preliminary state, is a fact-finding study on how well the system of paying estimated individual income tax is working.

The information document matching program has centered on new special surveys of taxpayer compliance. These relate to casino gambling payments, lottery winnings, and health care payments.

Design of advanced automatic data processing system progresses.—The long term program to develop an adavnced automatic data processing system to carry out tax administration functions over the next decade was continued. Detailed requirements for support are now being analyzed, to form the basis for the development of alternative system designs. The designs will be evaluated by an independent consultant from the standpoint of cost and performance, using advanced simulation techniques. The benefits associated with the alternatives will be determined, so that decisions regarding the implementation of the new system including equipment acquisition, will be based on the best available information.

Taxpayer compliance measurement program.—The Taxpayer Compliance Measurement Program (TCMP), established in 1962, is the major long-range scientific research program of the Service. Since its

inauguration, TCMP has been expanded to cover four major tax enforcement areas: (1) Individual income tax returns filed, (2) corporation income tax returns filed, (3) delinquent accounts, and (4) delinquent returns. Planning or implementation efforts were undertaken in each of these four areas during 1970.

Planning-Programing-Budgeting System continues analyses of major service programs.—The Service continued to conduct a number of major analytical studies as part of its Planning-Programing-Budgeting System (PPBS) in order to develop the most effective programs to meet Service objectives. Alternatives are being evaluated by comparing their relative benefits and costs. Among the most significant current PPBS special studies are:

1. An evaluation of alternative methods for achieving the objectives of the past-due accounts and delinquent returns programs.
2. In-depth cost-benefit analyses to determine alternative ways of correcting more tax returns with small manpower increases. Alternatives are being evaluated to correct statutorily unallowable items identified on individual returns during regular code and edit processing.
3. A study of compliance characteristics in employment tax accounting and withholding.
4. A study of Service organization to analyze and evaluate the long-range effectiveness of Service structure.
5. A field evaluation of Centralized Telephone Taxpayer Service (Centiphone), designed to test the cost and efficiency of Centiphone on taxpayer service. In test districts, Centiphone enables taxpayers from every area within the district to call district headquarters without a toll charge.
6. A major study is being undertaken, with Treasury participation, to look at alternate audit strategies. Methods and procedures to increase the effectiveness of audit resources will be sought by this investigation.

Service planning starts with projection of workload items.—One of the first steps in the development of the Service's plans for budget, allocation of manpower, and facilities is the projection of the major returns to be filed in future years.

For the first time since 1958, the number of returns to be filed is expected to decline in calendar years 1971 and 1972. This is due principally to the Tax Reform Act of 1969, which eliminated the requirement for about 6 million individual taxpayers to file. By 1973, the natural increase will have compensated for this drop and the number of tax returns is expected to continue growing through this decade.

Although the number of returns will decrease temporarily, the trend toward more complex returns will continue. For example, individual returns with incomes over $10,000 will probably double between 1970 and 1980, while those with incomes under $10,000 will decline 11.6 million returns, 21 percent. A similar although less spectacular trend is expected in corporation returns where the smaller corporations with assets under $50,000 will increase by 185,000 returns, 28 percent, while those with assets between $50,000 and $100,000 will rise by 269,000 returns, 37 percent.

The tax models in 1970.—Originally developed 7 years ago to meet the Treasury's need for timely estimates of the revenue effect of pro-

posed tax legislation, the individual and corporation tax models have proved to be valuable planning and economic tools.

These models utilize generalized computer programs in conjunction with specially prepared magnetic tape files, containing randomly selected samples of taxpayer records. The models are capable of measuring the effects of tax law changes on each tax record and projecting the results to represent the entire taxpayer population.

During consideration of the Tax Reform Act of 1969, the 1967 individual tax model was used to project and forecast the effect of many provisions of that law. Tax model tabulations provided data on the classes of taxpayers affected, the revenue effect, and the workload requirements of the Service.

Increase in Federal-State agreements.—Agreements on coordination of tax administration were concluded by the Service with 45 States and the District of Columbia, including the addition of Rhode Island this year.

Over the years the program has been extended beyond the original arrangements for the physical inspection of returns and the manual exchange of audit information. To reflect this broader scope and the application of computer technology to tax administration, a model agreement has been prepared for use as a guide in revising existing agreements or the drafting of new ones.

One of the most impressive developments in the program has been the furnishing of selected standard data elements from the Service's individual master file to State tax administrators. Thirty States and the District of Columbia received such data from 1968 tax returns.

The cooperative audit program is now in operation in six States. Under this program, the cooperating State devotes a significant portion of its audit activity to performing audits of the State returns of taxpayers whose Federal returns cannot be audited by the Service because of limited audit resources. The results of a State audit are used by the Service in making additional assessments on Federal returns; audit results of the Service are similarly transmitted to the States for their use in adjusting assessments on State returns. Thus, Federal and State tax administrators benefit.

Automated certification of credit for State Unemployment Tax Contributions.—Developmental work has begun on a computerized system for certification by State unemployment insurance agencies of the credit which employers claim on their Federal unemployment tax returns for contributions paid under State unemployment tax laws. The new system will effect substantial cost savings over the existing manual procedure under which about 1.6 million return schedules are shipped annually to State agencies for verification and then shipped back to Internal Revenue Service Centers for manual recomputation of any Federal tax adjustments.

Inspection activities.—The confidence of the taxpaying public in the objectivity and integrity of the Internal Revenue Service is vital to the success of our tax system. To gain this confidence and to insure that it is not violated, the Service conducts continuing inspection into questions concerning the integrity and effectiveness of operations. Management officials are furnished facts and data developed through

internal audits and investigations with the responsibility for taking corrective action.

Although all operations are examined, emphasis is placed on those most directly related to the collection of tax revenues and enforcement of tax laws, these being the areas most susceptible to breaches of integrity. Data processing activities at the seven regional service centers are examined on a continuing basis by auditors stationed at the centers.

Management's actions on reported deficiencies, problems, and internal audit recommendations result in significant improvements in programs, procedures, and controls. Many involve investigations or examinations in individual cases. The results of these actions are often measurable in terms of their impact on the revenue or on savings of manpower or other resources. It is estimated that actual or potential additional revenue and savings during fiscal 1970 exceeded $28.5 million.

Security investigations are made of applicants to weed out the poor risks and of irregularities or complaints which involve Service employees. Included in these activities are the investigations of persons outside the Service who attempt to corrupt Service employees through bribery or other means.

Since January 1, 1961, a total of 743 Service employees have reported attempts to bribe them. These reports were submitted by tax collectors, employees who audit tax returns, clerks, stenographers, attorneys, and persons involved in training programs. Since 1961 a total of 189 persons have been arrested or indicted for attempting to bribe IRS employees; as of June 30, 1970, 111 of these persons have been convicted and another 55 are still awaiting trial.

During the year 58 defendants were brought to trial because of inspection activities. Thirty-seven were taxpayers or tax practitioners, and 21 were employees or former employees. Trial or indictment was still pending on 88 taxpayers and 45 employees or former employees.

Internal security inspectors completed 10,107 investigations during the year, an increase of about 13 percent over last year's total of 8,950. An additional 5,248 checks of police records were made on persons being considered for temporary short-term appointments or for positions under special economic and education opportunity programs.

Internal Security conducted 1,146 investigations for other Treasury components during the year. As in prior years, assistance was also furnished to the Secret Service in the protection of the President and other persons.

Bureau of the Mint [1]

The principal functions of the Bureau of the Mint are the manufacture of coins of the United States and their distribution to the Federal Reserve banks and branches. Other functions include the safeguarding, processing, and movement of gold and silver bullion for the Treasury; the manufacture of medals of a national character; the production and sale of proof coins and uncirculated coin sets;

[1] Additional information is contained in the separate "Annual Report of the Director of the Mint."

and, as scheduling permits, the manufacture of foreign coins and coinage blanks on a reimbursable basis.

The headquarters for the Bureau of the Mint is located in Washington, D.C. The operations involved in performing the functions of the Mint are transacted in the several field offices. Mints are located in Philadelphia, Pa., and Denver, Colo.; assay offices are in New York, N.Y., and San Francisco, Calif.;[2] bullion depositories are in Fort Knox, Ky. (for gold) and in West Point, N.Y. (for silver). The silver depository at West Point is an adjunct of the New York Assay Office.

Operations of the Bureau of the Mint, fiscal years 1969 and 1970

Selected items	Fiscal year 1969	Fiscal year 1970
Coins manufactured (millions of pieces):		
Domestic regular issue	7,018.1	7,663.6
Domestic special coins [1]	17.3	12.2
Foreign coins	247.4	222.1
Total	7,282.8	7,897.9
Newly minted coins issued (billions of pieces): [2]		
1-cent piece	5.345	5.566
5-cent piece	.319	.636
Dimes	1.170	.885
Quarter dollars	.338	.422
Half dollars	.100	.080
Total	7.272	7.589
Domestic coinage dies manufactured	53,498	49,173
Foreign coinage dies manufactured	4,423	2,670
Medals and distinguishing devices manufactured	315,555	101,457
Electrolytic refinery production—gold, fine ounces	1,753,192	1,551,779
Electrolytic refinery production—silver, fine ounces	2,855,030	2,312,299
Balance of gold bullion in mint at yearend, fine ounces	283,890,122	289,571,968
Balance of silver bullion in mint at yearend, fine ounces	97,404,185	65,217,218
Visitors touring the Philadelphia and Denver mints	289,722	576,813

[1] Proof coins.
[2] Excludes proof coins.

Domestic coinage

During fiscal 1970 the three coinage facilities processed approximately 28,833 short tons of coinage metal into 7.7 billion finished coins with a face value of nearly $329 million dollars. These amounts include 1,235,125 proof coin sets dated 1969, and 1,200,132 proof coin sets dated 1970, consisting of 12,176,275 individual coins with a face value of $2,216,082.05.

The Bureau of the Mint delivered 7.589 billion new coins to the Federal Reserve banks and branches in fiscal 1970. In addition, over 68 million clad quarters and 416 million clad dimes were returned to the Federal Reserve banks and branches for redistribution after they had been separated from the mixed silver and clad coins.

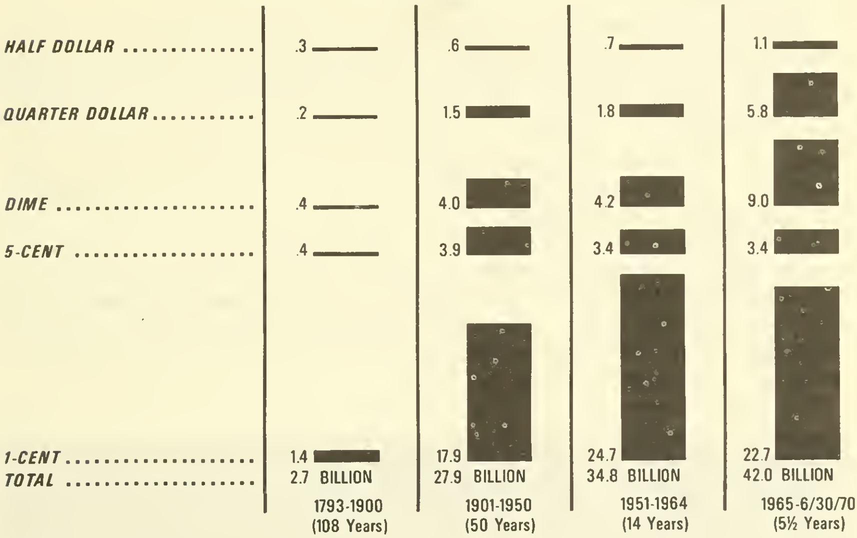
Proof coins were produced at the San Francisco Assay Office with all coins bearing the "S" mint mark. The Bureau of the Mint began accepting orders for the 1970 proof coin sets November 1, 1969, and by December 31, 1969, orders had been received to fill the planned production of approximately 2.6 million sets.

[2] The San Francisco Assay Office also operates as a mint.

Each of the last 3 fiscal years, including 1970, established, in turn, a new high for the production of 1-cent coins. The fiscal 1970 output of 5.565 billion pieces surpassed fiscal 1969 production by more than 216 million pieces. The total production of this denomination for these 3 record years was approximately 14.7 billion pieces, which is more than 22 percent of all 1-cent coins produced since 1793. A comparison of the production of selected denominations since 1793 follows.

U.S. COIN PRODUCTION, 1793 - JUNE 30, 1970

(BILLIONS OF PIECES)



Foreign coinage

Finished coins produced for foreign governments, fiscal 1970

		(Millions of pieces)
Costa Rica:		
5 centimos	75 percent copper, 25 percent nickel	20.00
10 centimos	do	10.00
25 centimos	do	4.00
El Salvador:		
1 centavo	95 percent copper, 5 percent zinc	5.00
10 centavos	75 percent copper, 25 percent nickel	3.00
Israel:		
15,500 proof, 10-pound (Pidyon HaBen)	90 percent silver, 10 percent copper	0.02
Liberia:		
5,058 proof sets containing one each of the following denominations: 1 dollar; 50 cents; 25 cents; 10 cents; 5 cents; and, 1 cent.		0.03
Panama:		
14,000 proof sets containing one each of the following denominations: 1 balboa; ½ balboa; ¼ balboa; 1⁄10 balboa; 5 centesimos; and, 1 centesimo.		0.08
Philippines:		
1 sentimo	95 percent aluminum, 5 percent magnesium.	130.00
10 sentimos	70 percent copper, 18 percent zinc, 12 percent nickel.	40.00
25 sentimos	do	10.00
Total foreign coinage, fiscal 1970		222.13

In addition to the finished coins produced for foreign governments, the Bureau of the Mint manufactured and delivered coinage blanks for the Governments of Brazil, Israel, and Mexico. For Brazil, deliveries were made of two sizes of coinage blanks, each of a 75 percent copper–25 percent nickel alloy. Approximately 68.2 million were of the 23 mm. size for the 10-centavos coin, and 49.9 million were of the 25 mm. size for the 20-centavos coin. For the Government of Israel, the mint produced 25,000 blanks of a 90 percent silver–10 percent copper alloy, for the 10-pound coin. The mint manufactured 120 million 50-centavos blanks of a 75 percent copper–25 percent nickel alloy for the Mexican Government.

Silver activities

The General Services Administration continued as agent for the Department of the Treasury in the sale of Treasury silver for industrial use, as provided in 1967 amendments to the silver regulations (31 CFR, Pt. 56). Most of the 75.4 million fine troy ounces contracted for sale during fiscal 1970 was obtained as a result of the silver coin melting program, concluded in fiscal 1970. The preparation of bars, storage, and processing for delivery of this silver was accomplished by the Bureau of the Mint.

During fiscal 1970 the Bureau of the Mint recovered 50.5 million fine ounces of silver from the melting of \$12.6 million of silver quarters and \$57.7 million of silver dimes which had been separated from inventories of coins not recirculated by the Federal Reserve System. This program, initiated in fiscal 1968, has provided a total recovery of 212.3 million fine ounces of silver.

New Philadelphia Mint

During fiscal 1970 finishing details on the new mint structure were completed and official opening ceremonies were held on August 14, 1969, with Cabinet officials, members of Congress, and officials from mints throughout the world in attendance.

The new mint is capable of producing 4.0 billion coins annually, based on two-shift operations and a program balanced as to denomination. Even though the mint was not in production for the full year, and, despite the problems of moving and reinstalling production equipment from the old mint, the new mint still managed to produce 1.9 billion coins during fiscal 1970.

The visitor accommodations provide opportunity for a clear view of all coinage operations, including melting, rolling, and stamping. Through June 30, 1970, more than 337,000 visitors had taken the self-guided tour of the building. This is more than toured both the Denver and old Philadelphia mints during the entire fiscal year 1969.

U.S. Savings Bonds Division

The U.S. Savings Bonds Division promotes the sale and retention of U.S. savings bonds and U.S. savings notes. The sale of savings stamps, sold primarily through school systems, was discontinued as of June 30, 1970, because of rising administrative costs. Savings notes were first issued in May 1967 and sales terminated as of June 30, 1970.[1] This medium of investment provides for the widespread distribution of the national debt through its ownership by a substantial part of the Nation's citizenry; it provides a stabilizing influence on the economy insofar as the average life of the E and H bonds is about 7 years and therefore constitutes a long term underwriting of the Nation's economy. Through its efforts the Division endeavors to sell enough bonds to offset current redemptions and to lessen the need for refunding other Treasury marketable issues.

The program is carried out by a relatively small Government staff assisted by a large corps of sales promotion volunteers. Liaison is maintained with all types of financial, business, labor, agricultural, and educational institutions, and with community groups of all kinds. Their volunteer services are enlisted to sell savings bonds through banks, savings and loan associations, credit unions, certain post offices, and thousands of business establishments and other employers operating payroll savings plans.

Sales of series E and H savings bonds and savings notes totaled $4,772 million in fiscal 1970.

Promotional activities

During fiscal 1970 the payroll savings plan was vigorously promoted among industrial employees; Federal, State, and local government employees; and the military services. Campaign efforts resulted in the enrollment of 1,939,000 new savers under the payroll savings plan. Participants in the payroll savings plan, as of June 30, 1970, totaled more than 10 million. Over $52 billion of savings bonds and

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[1] See exhibit 3.

savings notes were held at the close of fiscal 1970, 24 percent of all of the privately held Federal debt. It is estimated that some 13 million families own these bonds and shares so that the average holdings for each such family unit would amount to $4,000. During fiscal 1970 these savers received $2.2 billion in interest.

Mr. Gordon M. Metcalf, chairman of the board, Sears, Roebuck & Co., directs the 1970 payroll savings campaign in industry, which was launched with the annual meeting of the U.S. Industrial Payroll Savings Committee in Washington, D.C., on January 14, 1970. As chairman, Mr. Metcalf heads the Committee which includes seven former chairmen and 45 top executives of the Nation's key corporations. Twenty-two members of this Committee are responsible for organizing the industrial campaign in major business centers; 23 Committee members represent major industries. Industry members have traveled to other parts of the country to bring fellow industrialists together to win support for the program, while geographic members of the Committee launched the payroll savings campaign at luncheon meetings of the business, labor and community leaders of their areas. Mr. Metcalf has addressed 14 top management meetings in various parts of the country, helping the geographic chairmen get their campaigns underway. On April 8, 1970, he appeared on NBC national television network "Today" show. More than 60 stations also presented their local volunteer campaign leaders to further publicize savings bonds. Mr. Metcalf also provided a number of sales tools for the Committee and savings bonds staff, including an audio-visual presentation which was shown to top executives who were being encouraged to join the campaign.

Under the direction of Interdepartmental Chairman Robert H. Finch, the then Secretary of Health, Education, and Welfare, and Vice Chairman Maurice H. Stans, Secretary of Commerce, a successful spring campaign was conducted among both civilian and military personnel in the Federal Government. Polly Bergen, motion picture and television personality, participated as honorary chairman of the 1970 Federal Payroll Savings Campaign, in the April 9 "Kick-Off Rally" for key workers. During the spring campaign approximately 112,000 civilian employees, a number equal to that of the previous year, signed new bond allotments. New bond allotments were signed by 109,000 members of the Armed Forces, and 83,000 civilian employees increased their allotments. The total civilian and military participants, as of June 30, 1970, amounted to better than 3,200,000. For the fourth consecutive year sales to Federal personnel exceeded $1 billion.

Volunteer State chairmen of State savings bonds committees met with Treasury officials and members of the American Bankers' Association savings bonds committee in a national conference in Washington, D.C., April 1 and 2. Mr. Douglas R. Smith, president of the National Savings & Trust Co., Washington, D.C., was appointed national chairman of the savings bonds committee of the American Bankers' Association in September 1969. The committee sponsored resolutions favoring active participation in the savings bonds program which were adopted at the annual spring convention of many State bankers' associations. Chairman Smith personally traveled extensively

to meet with businessmen and bankers to explain the important role of savings bonds in the full spectrum of modern banking services.

The national organizations program instituted in calendar year 1969–70 provided a "grass roots" approach whereby participating organizations mailed materials and order cards promoting the savings bonds program directly to their local unit presidents. An executive committe for the national organizations program was appointed and met for the first time in March 1970 under the chairmanship of Hugh H. Cranford, executive secretary of Optimist International.

The savings bonds program has continued to enjoy the support of organized labor. Mr. George Meany, president of the AFL–CIO, participated in the meeting of the U.S. Industrial Payroll Savings Committee on January 14, 1970, and was honored for his many years of service on behalf of the program by the presentation of the Secretary's gold Award of Merit. In his remarks, Mr. Meany reaffirmed labor's support for the bond program, and urged its expansion, saying "The payroll savings plan must be extended to an increasing number of employers and the value of the plan must be explained to an increasing number of workers." He noted that wage and salary workers are the major buyers of U.S. savings bonds.

The Advertising Council, aided by volunteer taskforce agencies, continued to provide top-flight materials for the bond program. An estimated $60 million in time and space was contributed by the advertising media during the fiscal year. Daily newspapers carried 20,500 ads and magazines published 130,400 lines on savings bonds. A human interest TV commercial "Haircut" won four professional national awards in the media; an outdoor poster design, "Take Stock in America," received a third-place award for artistic excellence from the Institute of Outdoor Advertising.

Bob Hope, Apollo 11 astronauts Armstrong and Collins, Raquel Welch, Barbara McNair, and Glen Campbell starred in a new short subject for theatres, "Stars and Bonds," produced by Paramount through the generosity of Charles Bluhdorn of Gulf & Western Industries, motion picture chairman of the U.S. Industrial Payroll Savings Committee. Robert Young starred in a bond film for payroll savings solicitors, "Rally 'Round the Flag," produced by Universal; and other stars and studios continued their support with theatre trailers and TV film messages.

The National Panel on Public Relations for Savings Bonds was headed again this year by James T. Coleman, director of public relations for Tupperware. Members of the panel met informally in Miami in January 1970, in conjunction with the Orange Bowl Parade.

The International Cheerleading Foundation, Inc., sponsored a savings bonds segment in its 90 minute "Spirit of '70" show presented at 18 colleges and universities. The program, featuring commentary, music and pompon routines, geared to today's youth market, is available for youth groups, special bond events, and radio and television appearances.

Management improvement

As a result of the study by a team from the Office of the Assistant Secretary for Administration, a major reorganization of field operations became effective January 1, 1970. The former regional structure

was abolished and 12 marketing offices were established which represented a State or group of States having geographic and economic homogeneity.

Through the incorporation of six class I States in the 12 markets which now constitute the field organization, the Division has eliminated the former regional layer of supervisory authority insofar as these States now report to the Director of Marketing at headquarters.

Concomitant with the reorganization has been the redeployment of positions to market areas needing better manpower coverage and reducing coverage in offices which did not merit it because of low sales potential. Pursuant to this, offices in Nevada and Alaska were closed in fiscal 1970.

The fiscal 1969 curtailment of the direct mail bank letter program generated reportable savings in fiscal 1970 of an additional $45,000.

Internal audit program

During fiscal 1970 operational surveys were made in six States: Illinois, Indiana, Oklahoma, Iowa, New Jersey, and Virginia. Surveys were also conducted in the Southwest market office and the Midwest market office, as well as the distribution center in Chicago. Increased coverage of field activities was made possible by the assumption of the fiscal audit by the staff of the Bureau of the Public Debt's Internal Audit Service. As a result of the first annual fiscal audit by the Bureau's team, it was recommended that the Division install new accounting equipment to facilitate timely preparation of essential financial budgetary and internal cost-based budgetary reports. The new equipment was delivered shortly before the close of the fiscal year and is being programed to meet the accounting system needs of the Division.

EDP operations

During fiscal 1970 the Office of Program Planning produced a comprehensive EDP Procedural Manual and conducted a series of seminars in field offices and at headquarters to better acquaint the Division's staff with the purpose and usage of the statistical data garnered under the program. The number of reporting units on the EDP tapes is 38,416 which represents 18,113 intrastate companies and 20,303 interstate companies (including branches of companies) or approximately 22,000 individual companies. The output data on these companies comprises printouts broken down into marketing units, plus summaries by size groups, printouts by industries and listings by interstate company units. These reports are disseminated to field offices and utilized by headquarters for evaluating sales performance and assigning work load.

Staff development

During fiscal 1970 the staff development program was bolstered by giving members of our professional staff exposure to the principles of professional salesmanship (POPS), an American Management Association in-house training course.

In surveying its manpower needs the Division has recognized the need for an infusion of younger blood to assure the continuity and vigor of the program. In fiscal 1970 the Division has turned to the

Federal Service Entrance Examination Register to recruit for the filling of vacancies in our professional positions.

U.S. Secret Service

The major responsibilities of the U.S. Secret Service defined by section 3056, title 18, United States Code, are to protect the President of the United States, the members of his immediate family, the President-elect, the Vice President or other officer next in the order of succession to the office of the President, and the Vice-President-elect; to protect the person of a former President and his wife during his lifetime, the person of the widow of a former President until her death or remarriage, and minor children of a former President until they reach 16 years of age, unless such protection is declined; to protect persons who are determined from time to time by the Secretary of the Treasury, after consultation with the advisory committee, as being major presidential or vice presidential candidates, unless such protection is declined; the detection and arrest of persons committing any offenses against the laws of the United States relating to coins, obligations, and securities of the United States and of foreign governments; and the detection and arrest of persons violating certain laws relating to the Federal Deposit Insurance Corporation, Federal land banks, and Federal land bank associations.

Management improvement

During fiscal 1970, the names of all persons arrested by the Secret Service, the type of violation involved, and other pertinent related arrest data have been processed into an automated information storage and retrieval system. This system was operated throughout the year on a parallel basis with an existing manual arrest information system.

The machine processable data base of the Counterfeit Money Information System was expanded during fiscal 1970 to include all data originated prior to fiscal 1968. The data base now provides a full history of all counterfeit notes up to the current reporting period. It also includes "parent" note identifications for each circular numbered counterfeit note. The "parent" note is used to associate notes that have common origins. The date of counterfeit plant seizures as identified to particular notes was also entered. These changes to the system provided a much more comprehensive data base from which to draw information concerning counterfeit activities. The expanded data base permitted the use of the computer to manipulate counterfeit data heretofore requiring considerable manual effort.

Personnel

During fiscal 1970, the Secret Service increased its total permanent personnel strength by 364, including 100 Executive Protective Service officers.

The most significant development in Secret Service personnel management activity was Public Law 91–217 enacted on March 19, 1970, which established the Executive Protective Service. This bill raised the legislative limit from 250 to 850 police officers in the White House Police Force and made it necessary to initiate a nation-wide recruitment effort.

During the fiscal year, the Secret Service Training Division moved to new space which made it possible to increase its training program significantly. There were 81,520 manhours of training completed by personnel engaged in investigative, protective, and administrative functions. In addition, 25,612 manhours of interagency training and 5,096 manhours of nongovernment training were completed. A total of 112,228 manhours of training was completed by the Service during fiscal 1970.

The Training Division developed and presented an in-service training program for senior special agents, to bring them up-to-date on various Service activities.

During fiscal 1970, the Secret Service provided protective training to members of the U.S. Marshals' Office, and the North Carolina and Maryland State Police. The most significant development affecting training during the year was that the additional function of protecting embassies was assigned to the Secret Service. This necessitated training new personnel in basic police duties. A new program of training had to be developed since the officers had previously received their basic training from the Metropolitan Police Department in Washington, D.C.

Inspection and audit

Evaluation methods and procedures for comprehensive inspections of every area of the Service were updated and improved during fiscal 1970.

Inspections resulted in improvements in training procedures, weapons policies, and other areas. Inspectors represented the Director in many special top-level projects and surveys, some of which were related to assisting State governments in the development or improvement of their inspection and security programs.

Protective responsibilities

The protection of the First Family, the Vice President, former Presidents and their wives, and the minor children of a former President until they reach 16 years of age continued to be the primary responsibility of the Secret Service.

The Executive Protective Service was established when President Nixon signed Public Law 91–217 on March 19, 1970. The new legislation expanded the responsibilities and size of what was formerly the White House Police. The new security force will continue to protect the White House; buildings in which Presidential offices are located; the President and his immediate family, and now protects foreign diplomatic missions located in the metropolitan area of the District of Columbia.

Investigative responsibilities

The Secret Service had one of its most successful years during fiscal 1970. While counterfeiters were producing more counterfeits than ever before, they were less successful in passing their product than in the preceding 2 years.

The Service seized a record high of $16.3 million in counterfeits with only a little over $2 million being passed on the public. This

means that for every 9 counterfeit dollars made, 8 were seized from the counterfeiters before they could pass them.

The following summaries represent the current trend in the investigation of counterfeiting cases by this Service.

In April 1970, the Secret Service learned from an informant that a group of four conspirators had met in Denver, Colo., to decide how to distribute over $600,000 in counterfeit money they had produced. As one of the men was a pilot, they decided to use an airplane to transport the notes to various distribution areas.

On May 1, 1970, agents began a series of arrests which resulted in the seizure of over $600,000 in counterfeit $20 Federal Reserve notes in Gilbert, Ariz., and the plant which produced them in Denver, Colo. All of the conspirators were apprehended; two in a motel room in El Paso while in the act of using narcotics. Few of the counterfeits ever reached the public.

Another case originating in a bar in San Mateo, Calif., illustrates the importance of a citizen promptly reporting a violation.

A man who passed a counterfeit $20 note in a bar fled when the bartender became suspicious. The bartender noted his car license number and immediately notified the local Secret Service office. Agents found the man in his home burning about $27,000 in counterfeits. It was determined that he had made the notes himself and had passed only the one note before being arrested.

In March 1970, the victim of a counterfeit note pass in Sacramento recorded a partial license number from the fleeing passer. A check on combinations of the number led agents to a printer. On March 27, 1970, agents observed the suspect passing two counterfeit notes and immediately arrested him. They found $1,404,625 in counterfeits in the printing shop in which he was employed. Agents seized negatives, plates, and other equipment the counterfeiter had used in printing the notes. Over $15,000 in these notes had been passed in California during the previous several months. Following the arrest the note passing ceased.

In another case originating in the Philadelphia district, an undercover agent met two brothers in a motel room to purchase a quantity of counterfeit notes. The suspects arrived at the room armed, one with a machinegun, to deliver $45,000 of counterfeit notes. Both were arrested without a shot being fired.

During fiscal 1970 there were an increasing number of incidents in which Secret Service agents investigating counterfeiting cases were confronted by persons carrying firearms. Earlier in the year an individual in a Chicago investigation was shot and killed by agents during a shoot-out following a sale of counterfeit notes. In January, a Boston counterfeiter was wounded when resisting arrest. In almost every significant counterfeiting case weapons are being carried by the counterfeiter. One counterfeiter explained this by stating, "If we thought we were selling notes to an agent, we just wouldn't show up. We need the guns to protect our property from a stickup." In January and February, the Secret Service held four seminars in Washington, D.C., for field office supervisors, in order to focus on this problem.

Gains were also made in the investigation of forged checks and bonds. The Secret Service arrested 3,032 persons for the forgery and

cashing of Government checks. This represents a 43-percent increase over the 2,119 arrested the previous year. Although the actual number of Government checks stolen, forged and cashed increased 6 percent during the fiscal year, the total Government checks paid during this same period increased from 584,796,854 to 625,717,567, or 7 percent over the previous year. The slight increase in the number of forged checks was consistent with the increase in checks actually paid, while the substantial increase in the number of forgers arrested appears to indicate that many of the new forgers were unsuccessful in their efforts.

From 1965 through 1969, a husband and wife team traveled throughout 20 States stealing, forging and cashing Government checks. Although they were eventually identified, their mobility and ability to convince merchants and banks of their legitimacy aided them in avoiding arrest.

On November 4, 1969, a bank teller in Richmond, Va., recognized the man who was attempting to negotiate a check from photographs the Secret Service had distributed throughout the country. After he left the bank, the teller called the Secret Service and agents were dispatched to the area. The couple was arrested in the vicinity of the bank and later identified as having cashed forged Government checks. The husband and wife were sentenced to 15 years and 10 years, respectively.

Early in 1969, an inmate who owed 25 years in Federal sentences to the Government for previous forgery of Government obligations, escaped from a Mississippi prison. Following his escape, he stole and cashed checks in Louisiana, Florida, Georgia, Virginia, Tennessee, Oklahoma, and Texas. In addition to stealing checks from mailboxes, he burglarized post offices in Tampa, Fla., Nashville, Tenn., and Dallas, Tex. It is estimated that he stole between and 400 and 500 checks during this period. In January, the escapee was arrested following the burglary of a post office in Dallas, with 200 stolen checks and approximately $10,000 in cash in his possession. Within a week he and three other prisoners escaped; three weeks later he was arrested in New Orleans and returned to Dallas where he was awaiting prosecution at the end of the fiscal year.

There was an 18-percent decrease in the number of forged Government bonds received by the Service for investigation, from 19,848 in fiscal 1969 to 16,236 in fiscal 1970. During this same period the Service arrested 123 persons for bond forgery, an increase of 9 percent over the previous year. A number of those arrested were members of organized groups.

The growth of this criminal activity is evidenced by the Bureau of the Public Debt's report of May 31, 1970. At that time, there were 312,499 stolen bonds of record, representing over $34 million. These figures only include reported thefts amounting to $1,000 or more.

In September 1969, an informant advised the Secret Service office in Buffalo that four individuals, three of whom he identified, planned to travel to New York City, obtain stolen savings bonds and proceed to Atlantic City, N.J., to negotiate them. With the cooperation of the Atlantic City Police Department, a surveillance was maintained in several banks. As a result, one of the men was arrested when he attempted to cash five of the bonds. He then identified his associates

and each was arrested upon his return to Buffalo. Fifty-six additional bonds were recovered.

Another bond forgery investigation involved a female forger who was a member of an interstate burglary ring. She forged and cashed 258 savings bonds registered to five individuals, each living in a different major city—San Francisco, Minneapolis, Phoenix, Portland (Oregon), and Oklahoma City. She was eventually arrested and sentenced to a 3 year prison term.

The following table shows the number of criminal and noncriminal investigation arrests made by the Secret Service in fiscal years 1969 and 1970.

Number of arrests, fiscal years 1969 and 1970

Offenses	1969	1970
Counterfeiting	1,394	1,390
Forged Government checks	2,119	3,032
Forged Government bonds	113	123
Protective intelligence	337	304
Miscellaneous	56	95
Total	4,019	4,944

Offenses investigated by the Secret Service resulted in the conviction of 3,470 persons, 95.4 percent of the cases brought to trial during fiscal 1970.

Treasury Security Force

The newly designated Treasury Security Force (formerly named the Treasury Guard Force), completed an intensive in-service training program during fiscal 1970 conducted by Secret Service agents. The improved quality of performance is evidenced by their record of 30 felony arrests of individuals attempting to cash forged Government obligations at the main Treasury cash room during the fiscal year.

Cooperation

The Secret Service is also involved in the Organized Crime Strike Force effort of the Department of Justice. There are 15 special agents assigned to the 12 operating Strike Force units. They are involved in 91 separate investigations designated as organized crime cases and during fiscal 1970, expended 44,000 manhours in this category.

The Secret Service appreciates the outstanding assistance it continues to receive from law enforcement at all levels, and from interested citizens in behalf of its protective and investigative responsibilities.

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EXHIBITS

Public Debt Operations, Regulations, and Legislation

Treasury Notes Offered and Allotted

During fiscal year 1970 there were no offerings of marketable Treasury certificates of indebtedness or Treasury bonds.

Exhibit 1.—Treasury notes

Two Treasury circulars, one containing an exchange offering and the other containing a cash offering, are reproduced in this exhibit. Circulars pertaining to the other note offerings during the fiscal year 1970 are similar in form and therefore are not reproduced in this report. However, essential details for each offering are summarized in the first table following the circulars and the allotment of the new notes will be shown in table 36 in the Statistical Appendix.

DEPARTMENT CIRCULAR NO. 8–69. PUBLIC DEBT

TREASURY DEPARTMENT,
Washington, September 18, 1969.

I. OFFERING OF NOTES

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, offers notes of the United States, designated 7½ percent Treasury Notes of Series C–1976, at 99.50 percent of their face value, in exchange for the following securities, singly or in combinations aggregating $1,000 or multiples thereof:

(1) 1½ percent Treasury Notes of Series EO–1969, due October 1, 1969;
(2) 4 percent Treasury Bonds of 1969, due October 1, 1969; or
(3) 2½ percent Treasury Bonds of 1964–69, due December 15, 1969, with a cash payment of $2.20 per $1,000 to subscribers.

Interest will be adjusted on the bonds of 1964–69 as of December 15, 1969. Payments on account of accrued interest and cash adjustments will be made as set forth in Section IV hereof. The amount of this offering will be limited to the amount of eligible securities tendered in exchange. The books will be open only on September 22 through September 24, 1969, for the receipt of subscriptions.

2. In addition, holders of the securities enumerated in Paragraph 1 of this section are offered the privilege of exchanging all or any part of them for 8 percent Treasury Notes of Series E–1971, or 7¾ percent Treasury Notes of Series A–1973, which offerings are set forth in Department Circulars, Public Debt Series—Nos. 6–69 and 7–69, issued simultaneously with this circular.

II. DESCRIPTION OF NOTES

1. The notes will be dated October 1, 1969, and will bear interest from that date at the rate of 7½ percent per annum, payable on a semiannual basis on February 15 and August 15, 1970, and thereafter on February 15 and August 15 in each year until the principal amount becomes payable. They will mature August 15, 1976, and will not be subject to call for redemption prior to maturity.

2. The income derived from the notes is subject to all taxes imposed under the Internal Revenue Code of 1954. The notes are subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but are exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The notes will be acceptable to secure deposits of public moneys. They will not be acceptable in payment of taxes.

4. Bearer notes with interest coupons attached, and notes registered as to principal and interest, will be issued in denominations of $1,000, $5,000, $10,000,

$100,000, $1,000,000, $100,000,000 and $500,000,000. Provision will be made for the interchange of notes of different denominations and of coupon and registered notes, and for the transfer of registered notes, under rules and regulations prescribed by the Secretary of the Treasury.

5. The notes will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States notes.

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions accepting the offer made by this circular will be received at the Federal Reserve Banks and Branches and at the Office of the Treasurer of the United States, Washington, D.C. 20220. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies.

2. Under the Second Liberty Bond Act, as amended, the Secretary of the Treasury has the authority to reject or reduce any subscription, and to allot less than the amount of notes applied for when he deems it to be in the public interest; and any action he may take in these respects shall be final. Subject to the exercise of that authority, all subscriptions will be allotted in full.

IV. PAYMENT

1. Payment for the face amount of notes allotted hereunder must be made on or before October 1, 1969, or on later allotment, and may be made only in a like face amount of securities of the issues enumerated in paragraph 1 of section I hereof, which should accompany the subscription. Payment will not be deemed to have been completed where registered notes are requested if the appropriate identifying number as required on tax returns and other documents submitted to the Internal Revenue Service (an individual's social security number or an employer identification number) is not furnished. Cash payments due to subscribers will be made by check or by credit in any account maintained by a banking institution with the Federal Reserve Bank of its district following acceptance of the securities surrendered. In the case of registered bonds, the payment will be made in accordance with the assignments thereon.

2. *1½-percent notes of Series EO–1969 and 4 percent bonds of 1969.*—When payment is made with securities in bearer form, coupons dated October 1, 1969, should be detached and cashed when due. When payment is made with registered bonds, the final interest due on October 1, 1969, will be paid by issue of interest checks in regular course to holders of record on August 29, 1969, the date the transfer books closed. A cash payment of $5.00 per $1,000 on account of the issue price of the new notes will be made to subscribers.

3. *2½-percent bonds of 1964–69.*—When payment is made with bonds in bearer form, coupons dated December 15, 1969, must be attached to the bonds when surrendered. Accrued interest from June 15 to December 15, 1969 ($12.50 per $1,000), the payment on account of the issue price of the new notes ($5.00 per $1,000) and the cash payment due subscriber ($2.20 per $1,000) will be credited, and accrued interest from October 1 to December 15, 1969 ($15.28533 per $1,000) on the new notes will be charged, and the difference ($4.41467 per $1,000) will be paid to subscribers.

V. ASSIGNMENT OF REGISTERED BONDS

1. Registered bonds tendered in payment for notes offered hereunder should be assigned by the registered payees or assignees thereof, in accordance with the general regulations of the Treasury Department governing assignments for transfer or exchange, in one of the forms hereafter set forth, and thereafter should be surrendered with the subscription to a Federal Reserve Bank or Branch or to the Office of the Treasurer of the United States, Washington, D.C. 20220. The bonds must be delivered at the expense and risk of the holder. If the new notes are desired registered in the same name as the bonds surrendered, the assignment should be to "The Secretary of the Treasury for exchange for 7½ percent Treasury Notes of Series C–1976"; if the new notes are desired registered in another name, the assignment should be to "The Secretary of the Treasury for exchange for 7½ percent Treasury Notes of Series C–1976 in the name of ____________"; if new notes in coupon form are desired, the assignment should be to

"The Secretary of the Treasury for exchange for 7½ percent Treasury Notes of Series C–1976 in coupon form to be delivered to ____________".

VI. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make such allotments as may be prescribed by the Secertary of the Treasury, to issue such notices as may be necessary, to receive payment for and make delivery of notes on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive notes.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

David M. Kennedy,
Secretary of the Treasury.

DEPARTMENT CIRCULAR NO. 6–70. PUBLIC DEBT

Treasury Department,
Washington, April 30, 1970.

I. OFFERING OF NOTES

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, offers $3,500,000,000, or thereabouts, of notes of the United States, designated 7¾ percent Treasury Notes of Series G–1971, at 99.95 percent of their face value and accrued interest, if any. In addition to the amount offered for public subscription, the Secretary of the Treasury reserves the right to allot an additional amount of these notes to Government accounts and Federal Reserve Banks. The following securities, maturing May 15, 1970, will be accepted at par in payment or exchange, in whole or in part, to the extent subscriptions are allotted by the Treasury:

(1) 5⅝ percent Treasury Notes of Series B–1970; or

(2) 6⅜ percent Treasury Notes of Series C–1970.

The books will be open only on May 5, 1970, for the receipt of subscriptions.

II. DESCRIPTION OF NOTES

1. The notes will be dated May 15, 1970, and will bear interest from that date at the rate of 7¾ percent per annum, payable semiannually on November 15, 1970, and on May 15 and November 15, 1971. They will mature November 15, 1971, and will not be subject to call for redemption prior to maturity.

2. The income derived from the notes is subject to all taxes imposed under the Internal Revenue Code of 1954. The notes are subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but are exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States or by any local taxing authority.

3. The notes will be acceptable to secure deposits of public moneys. They will not be acceptable in payment of taxes.

4. Bearer notes with interest coupons attached, and notes registered as to principal and interest, will be issued in denominations of $1,000, $5,000, $10,000, $100,000 and $1,000,000. Provision will be made for the interchange of notes of different denominations and of coupon and registered notes, and for the transfer of registered notes, under rules and regulations prescribed by the Secretary of the Treasury.

5. The notes will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States notes.

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions accepting the offer made by this circular will be received at the Federal Reserve Banks and Branches and at the Office of the Treasurer of

the United States, Washington, D.C. 20220. Only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Commercial banks, which for this purpose are defined as banks accepting demand deposits, may submit subscriptions for account of customers provided the names of the customers are set forth in such subscriptions. Others than commercial banks will not be permitted to enter subscriptions except for their own account. Subscriptions from commercial banks for their own account will be restricted in each case to an amount not exceeding 50 percent of the combined capital (not including capital notes or debentures), surplus and undivided profits of the subscribing bank. Subscriptions will be received without deposit from banking institutions for their own account, Federally-insured savings and loan associations, States, political subdivisions or instrumentalities thereof, public pension and retirement and other public funds, international organizations in which the United States holds membership, foreign central banks and foreign States, and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon. Subscriptions from all others must be accompanied by payment (in cash or in notes of the issues enumerated in Paragraph 1 of Section I hereof, which will be accepted at par) of 10 percent of the amount of notes applied for, not subject to withdrawal until after allotment. Registered notes submitted as deposits should be assigned as provided in Section V hereof. Following allotment, any portion of the 10 percent payment in excess of 10 percent of the amount of notes allotted may be released upon the request of the subscribers.

2. All subscribers are required to agree not to purchase or to sell, or to make any agreements with respect to the purchase or sale or other disposition of any notes of this issue at a specific rate or price, until after midnight May 5, 1970.

3. Commercial banks in submitting subscriptions will be required to certify that they have no beneficial interest in any of the subscriptions they enter for the account of their customers, and that their customers have no beneficial interest in the banks' subscriptions for their own account.

4. Under the Second Liberty Bond Act, as amended, the Secretary of the Treasury has the authority to reject or reduce any subscription, to allot less than the amount of notes applied for, and to make different percentage allotments to various classes of subscribers when he deems it to be in the public interest; and any action he may take in these respects shall be final. Subject to the exercise of that authority, subscriptions will be allotted:

(1) in full if the subscription is for $200,000 or less; and

(2) on a percentage basis to be publicly announced, but not less than $200,000.

Allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment at 99.95 percent of their face value and accrued interest, if any, for notes allotted hereunder must be made or completed on or before May 15, 1970, or on later allotment. Payment will not be deemed to have been completed where registered notes are requested if the appropriate identifying number as required on tax returns and other documents submitted to the Internal Revenue Service (an individual's social security number or an employer identification number) is not furnished. In every case where full payment is not completed, the payment with application up to 10 percent of the amount of notes allotted shall, upon declaration made by the Secretary of the Treasury in his discretion, be forfeited to the United States. Payment may be made for any notes allotted hereunder in cash or by exchange of notes of the issues enumerated in Paragraph 1 of Section I hereof, which will be accepted at par. A cash adjustment will be made for the difference ($0.50 per $1,000) between the par value of the maturing notes accepted in exchange and the issue price of the new notes. The payment will be made by check or by credit in any account maintained by a banking institution with the Federal Reserve Bank of its District, following acceptance of the notes. In the case of registered notes, the payment will be made in accordance with the assignments on the notes surrendered. Any qualified depositary will be permitted to make payment by credit in its Treasury Tax and Loan Account for not more than 50 percent of the amount of notes allotted to it for itself and its customers. When payment is made with notes in bearer form, coupons dated May 15, 1970,

should be detached and cashed when due. When payment is made with registered notes, the final interest due on May 15, 1970, will be paid by issue of interest checks in regular course to holders of record on April 15, 1970, the date the transfer books closed.

V. ASSIGNMENT OF REGISTERED NOTES

1. Registered notes tendered as deposits and in payment for notes allotted hereunder should be assigned by the registered payees or assignees thereof, in accordance with the general regulations of the Treasury Department, in one of the forms hereafter set forth. Notes tendered in payment should be surrendered to a Federal Reserve Bank or Branch or to the Office of the Treasurer of the United States, Washington, D.C. 20220. The maturing notes must be delivered at the expense and risk of the holder. If the new notes are desired registered in the same name as the notes surrendered, the assignment should be to "The Secretary of the Treasury for 7¾ percent Treasury Notes of Series G–1971"; if the new notes are desired registered in another name, the assignment should be to "The Secretary of the Treasury for 7¾ percent Treasury Notes of Series G–1971 in the name of ------------"; if new notes in coupon form are desired, the assignment should be to "The Secretary of the Treasury for 7¾ percent Treasury Notes of Series G–1971 in coupon form to be delivered to ------------".

VI. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make such allotments as may be prescribed by the Secretary of the Treasury, to issue such notices as may be necessary, to receive payment for and make delivery of notes on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive notes.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

DAVID M. KENNEDY,
Secretary of the Treasury.

Summary of information pertaining to Treasury notes issued during fiscal year 1970

Date of preliminary announcement	Department circular No.	Department circular Date	Concurrent offering circular No.	Treasury notes issued for exchange or for cash	Date of issue	Date of maturity	Date subscription books closed	Allotment payment date on or before (or on later allotment)
1969		*1969*			*1969*	*1971*	*1969*	*1969*
July 30	5–69	July 31	....	7¾ percent Series D–1971 at 99.90 in exchange for............ 6 percent Series C–1969 notes maturing Aug. 15, 1969.	Aug. 15	Feb. 15	Aug. 6	Aug. 15
Sept. 17	6–69	Sept. 18	7–69, 8–69	8 percent Series E–1971 at par in exchange for............ 1½ percent Series EO–1969 notes maturing Oct. 1, 1969. 4 percent bonds maturing Oct. 1, 1969. 2½ percent bonds maturing Dec. 15, 1969.[1]	Oct. 1	May 15	Sept. 24	Oct. 1
						1973		
Sept. 17	7–69	Sept. 18	6–69, 8–69	7¾ percent Series A–1973 at par in exchange for............ 1½ percent Series EO–1969 notes maturing Oct. 1, 1969. 4 percent bonds maturing Oct. 1, 1969. 2½ percent bonds maturing Dec. 15, 1969.[2]	Oct. 1	May 15	Sept. 24	Oct. 1
						1976		
Sept. 17	8–69	Sept. 18	6–69, 7–69	7½ percent Series C–1976 at 99.50 in exchange for............ 1½ percent Series EO–1969 notes maturing Oct. 1, 1969. 4 percent bonds maturing Oct. 1, 1969. 2½ percent bonds maturing Dec. 15, 1969.[3]	Oct. 1	Aug. 15	Sept. 24	Oct. 1

1970		*1970*			*1970*	*1971*	*1970*	*1970*
Jan. 28	1–70	Jan. 29	2–70, 3–70	8¼ percent Series F–1971 at par in exchange for 4 percent bonds maturing Feb. 15, 1970. 2½ percent bonds maturing Mar. 15, 1970.[4]	Feb. 15	Aug. 15	Feb. 4	Feb. 16
						1973		
Jan. 28	2–70	Jan. 29	1–70, 3–70	8⅛ percent Series B–1973 at par in exchange for 4 percent bonds maturing Feb. 15, 1970. 2½ percent bonds maturing Mar. 15, 1970.[5]	Feb. 15	Aug. 15	Feb. 4	Feb. 16
						1977		
Jan. 28	3–70	Jan. 29	1–70, 2–70	8 percent Series A–1977 at par in exchange for 4 percent bonds maturing Feb. 15, 1970. 2½ percent bonds maturing Mar. 15, 1970.[6]	Feb. 15	Feb. 15	Feb. 4	Feb. 16
					1969	*1973*		
Apr. 29	4–70	Apr. 30	5–70, 6–70	7¾ percent Series A–1973 at 99.40 in exchange for 5⅝ percent Series B–1970 notes maturing May 15, 1970. 6⅜ percent Series C–1970 notes maturing May 15, 1970.	[7] Oct. 1	May 15	May 6	May 15
					1970	*1977*		
Apr. 29	5–70	Apr. 30	4–70, 6–70	8 percent Series A–1977 at par in exchange for 5⅝ percent Series B–1970 notes maturing May 15, 1970. 6⅜ percent Series C–1970 notes maturing May 15, 1970.	[7] Feb. 15	Feb. 15	May 6	May 15
						1971		
Apr. 29	6–70	Apr. 30	4–70, 5–70	7¾ percent Series G–1971 at 99.95 for cash [8]	May 15	Nov. 15	May 5	May 15

[1] Subscribers exchanging these bonds were credited with interest on the bonds from June 15 to Dec. 15, 1969 ($12.50 per $1,000) plus a cash payment of $2.70 per $1,000 and charged interest on the notes from Oct. 1 to Dec. 15, 1969 ($16.41244 per $1,000).

[2] Subscribers exchanging these bonds were credited with interest on the bonds from June 15 to Dec. 15, 1969 ($12.50 per $1,000) plus a cash payment of $2.35 per $1,000 and charged interest on the notes from Oct. 1 to Dec. 15. 1969 ($15.89955 per $1,000).

[3] See Department Circular No. 8–69 in this exhibit for provisions for subscription and payment.

[4] Subscribers exchanging these bonds were credited with interest on the bonds from Sept. 15, 1969, to Mar. 15, 1970 ($12.50 per $1,000) plus a cash payment of $1.14 per $1,000 and charged interest on the notes from Feb. 15 to Mar. 15, 1970 ($6.38122 per $1,000).

[5] Subscribers exchanging these bonds were credited with interest on the bonds from Sept. 15, 1969, to Mar. 15, 1970 ($12.50 per $1,000) plus a cash payment of $1.04 per $1,000 and charged interest on the notes from Feb. 15 to Mar. 15, 1970 ($6.28453 per $1,000).

[6] Subscribers exchanging these bonds were credited with interest on the bonds from Sept. 15, 1969, to Mar. 15, 1970 ($12.50 per $1,000) plus a cash payment of $0.95 per $1,000 and charged interest on the notes from Feb. 15 to Mar. 15, 1970 ($6.18785 per $1,000).

[7] Interest was payable from May 15, 1970.

[8] Holders of notes maturing on May 15, 1970, were not offered preemptive rights to exchange their holdings for the new notes. See Department Circular No. 6–70 in this exhibit for provisions for subscription and payment.

Treasury Bills Offered and Tenders Accepted

Exhibit 2.—Treasury bills

During the fiscal year there were 52 weekly issues of 13-week and 26-week bills (the 13-week bills represent additional amounts of bills with an original maturity of 26 weeks), 12 monthly issues of 9-month and 1-year bills (the 9-month bills represent additional amounts of bills with an original maturity of 1 year), 8 issues of tax anticipation series and one issue of a strip of additional amounts of outstanding issues. Two press releases inviting tenders are reproduced in this exhibit. The release of May 6, 1970, is representative of releases for regular weekly, regular monthly, and tax anticipation series issues while the release of August 14, 1969, is for the strip of issues. Also reproduced is the press release of May 11, 1970, which is representative of releases announcing the results of the offerings. Following the press releases is a table of data for each issue during the fiscal year.

PRESS RELEASE OF MAY 6, 1970

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $3,100,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing May 14, 1970, in the amount of $2,993,940,000, as follows:

91-day bills (to maturity date) to be issued May 14, 1970, in the amount of $1,800,000,000, or thereabouts, representing an additional amount of bills dated February 13, 1970, and to mature August 13, 1970, originally issued in the amount of $1,200,664,000, the additional and original bills to be freely interchangeable.

182-day bills, for $1,300,000,000, or thereabouts, to be dated May 14, 1970, and to mature November 12, 1970.

The bills of both series will be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided, and at maturity their face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $10,000, $50,000, $100,000, $500,000, and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, 1:30 p.m., eastern daylight saving time, Monday, May 11, 1970. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $10,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e.g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Banking institutions generally may submit tenders for account of customers provided the names of the customers are set forth in such tenders. Others than banking institutions will not be permitted to submit tenders except for their own account. Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Only those submitting competitive tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for each issue for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on May 14, 1970, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 14, 1970. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for dif-

ferences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills are subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but are exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. Under Sections 454(b) and 1221(5) of the Internal Revenue Code of 1954 the amount of discount at which bills issued hereunder are sold is not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418 (current revision) and this notice prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

PRESS RELEASE OF AUGUST 14, 1969

The Treasury Department, by this public notice, invites tenders for additional amounts of seven series of Treasury bills to an aggregate amount of $2,100,000,000, or thereabouts, for cash. The additional bills will be issued August 25, 1969, will be in the amounts, and will be in addition to the bills originally issued and maturing, as follows:

Amount of additional issues	Original issue dates	Maturity dates	Days from Aug.25, 1969 to maturity	Amount currently outstanding (in millions)
	1969	*1969*		
$300,000,000	Mar. 20	Sept. 18	24	$2,701
300,000,000	Mar. 27	Sept 25	31	2,701
300,000,000	Apr. 3	Oct. 2	38	2,701
300,000,000	Apr. 10	Oct. 9	45	2,701
300,000,000	Apr. 17	Oct. 16	52	2,703
300,000,000	Apr. 24	Oct. 23	59	2,703
300,000,000	May 1	Oct. 30	66	2,701
2,100,000,000		Average	45	

The additional and original bills will be freely interchangeable.

Each tender submitted must be in the amount of $7,000, or an even multiple thereof, and one-seventh of the amount tendered will be applied to each of the above series of bills.

The bills offered hereunder will be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided, and at maturity their face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, 1:30 p.m., eastern daylight saving time, Wednesday, August 20, 1969. Tenders will not be received at the Treasury Department, Washington. In the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e.g., 99.925. Fractions may not be used. A single price must be submitted for each unit of $7,000, or even multiple thereof. A unit

represents $1,000 face amount of each issue of bills offered hereunder, as previously described. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks and Branches on application therefor.

Banking institutions generally may submit tenders for account of customers provided the names of the customers are set forth in such tenders. Others than banking institutions will not be permitted to submit tenders except for their own account. Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

All bidders are required to agree not to purchase or to sell, or to make any agreements with respect to the purchase or sale or other disposition of any bills of these additional issues at a specific rate or price, until after 1:30 p.m., eastern daylight saving time, Wednesday, August 20, 1969.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Noncompetitive tenders for $210,000 or less (in even multiples of $7,000) without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank or Branch in cash or other immediately available funds on August 25, 1969. Any qualified depositary will be permitted to make settlement by credit in its Treasury tax and loan account for Treasury bills allotted to it for itself and its customers.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills are subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but are exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest.

Under Sections 454(b) and 1221(5) of the Internal Revenue Code of 1954 the amount of discount at which bills issued hereunder are sold is not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss. Purchasers of a strip of the bills offered hereunder should, for tax purposes, take such bills on to their books on the basis of their purchase price prorated to each of the seven outstanding issues using as a basis for proration the closing market prices for each of the issues on August 25, 1969. (Federal Reserve Banks will have available a list of these market prices, based on the mean between the bid and asked quotations furnished by the Federal Reserve Bank of New York.)

Treasury Department Circular No. 418, Revised, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

PRESS RELEASE OF MAY 11, 1970

The Treasury Department announced that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated February 13, 1970, and the other series to be dated May 14, 1970, which were offered on May 6, 1970, were opened at the Federal Reserve Banks today. Tenders were invited for $1,800,000,000, or thereabouts, of 91-day bills and for $1,300,000,000, or thereabouts, of 182-day bills. The details of the two series are as follows:

Range of accepted competitive bids	91-day Treasury bills maturing Aug. 13, 1970		182-day Treasury bills maturing Nov. 12, 1970	
	Price	Approximate equivalent annual rate	Price	Approximate equivalent annual rate
		Percent		*Percent*
High	[1] $98.292	6.757	[2] $96.514	6.895
Low	[3] 98.203	7.109	[4] 96.314	7.291
Average	98.232	[5] 6.994	96.359	[5] 7.202

[1] Excepting 1 tender of $850,000.
[2] Excepting 1 tender of $10,000.
[3] 21% of the amount of 91-day bills bid for at the low price was accepted.
[4] 69% of the amount of 182-day bills bid for at the low price was accepted.
[5] These rates are on a bank discount basis. The equivalent coupon issue yields are 7.22% for the 91-day bills, and 7.58% for the 182-day bills.

Total tenders applied for and accepted by Federal Reserve districts

District	Applied for	Accepted	Applied for	Accepted
Boston	$32,530,000	$22,530,000	$23,160,000	$11,160,000
New York	2,181,360,000	1,258,360,000	1,962,180,000	895,680,000
Philadelphia	42,760,000	27,760,000	11,770,000	11,770,000
Cleveland	38,400,000	37,550,000	50,830,000	27,730,000
Richmond	29,760,000	21,680,000	21,520,000	13,020,000
Atlanta	44,270,000	30,870,000	34,520,000	21,120,000
Chicago	200,630,000	160,730,000	184,790,000	132,290,000
St. Louis	38,950,000	35,350,000	24,910,000	21,290,000
Minneapolis	22,310,000	12,520,000	13,650,000	6,450,000
Kansas City	35,580,000	30,030,000	23,480,000	20,260,000
Dallas	28,750,000	18,250,000	26,940,000	17,640,000
San Francisco	169,760,000	144,840,000	218,050,000	121,750,000
Total	2,865,060,000	[1] 1,800,470,000	2,595,800,000	[2] 1,300,160,000

[1] Includes $386,920,000 noncompetitive tenders accepted at the average price of 98.232.
[2] Includes $219,680,000 noncompetitive tenders accepted at the average price of 96.359.

Summary of information pertaining to Treasury bills issued during the fiscal year 1970

[Dollar amounts in thousands]

Date of issue	Date of maturity	Days to maturity [1]	Maturity value: Total applied for	Maturity value: Tenders accepted: Total accepted	Maturity value: Tenders accepted: On competitive basis	Maturity value: Tenders accepted: On noncompetitive basis	Prices and rates: Total bids accepted: Average price per hundred	Prices and rates: Total bids accepted: Equivalent average rate (percent)	Prices and rates: Competitive bids accepted: High: Price per hundred	Prices and rates: Competitive bids accepted: High: Equivalent rate (percent)	Prices and rates: Competitive bids accepted: Low: Price per hundred	Prices and rates: Competitive bids accepted: Low: Equivalent rate (percent)	Amount maturing on issue date of new offering
REGULAR WEEKLY													
1969													
July 3	Oct. 2, 1969	91	$2,404,391	$1,600,180	$1,228,367	$371,813	98.368	6.456	98.400	6.330	98.328	6.615	$1,601,962
3	Jan. 2, 1970	183	1,937,868	1,099,668	894,428	205,240	96.470	6.944	[2] 96.512	6.862	96.422	7.039	1,102,883
10	Oct. 9, 1969	91	2,424,132	1,599,732	1,225,994	373,738	98.213	7.069	[2] 98.241	6.959	98.202	7.113	1,602,105
10	Jan. 8, 1970	182	2,192,369	1,102,021	848,626	253,395	96.305	7.308	[2] 96.352	7.216	96.289	7.340	1,101,815
17	Oct. 16, 1969	91	2,610,651	1,601,561	1,159,881	441,680	98.204	7.105	[2] 98.223	7.030	98.194	7.145	1,601,030
17	Jan. 15, 1970	182	2,481,932	1,100,863	815,628	285,235	96.259	7.400	[2] 96.287	7.344	96.246	7.425	1,100,670
24	Oct. 23, 1969	91	2,591,328	1,600,718	1,192,987	407,731	98.175	7.218	[2] 98.190	7.160	98.170	7.240	1,600,980
24	Jan. 22, 1970	182	2,285,216	1,101,212	826,671	274,541	96.229	7.460	[2] 96.248	7.422	96.224	7.469	1,097,452
31	Oct. 30, 1969	91	2,643,536	1,601,313	1,208,712	392,601	98.187	7.172	[2] 98.194	7.145	98.182	7.192	1,603,353
31	Jan. 29, 1970	182	2,146,722	1,100,720	837,383	263,337	96.303	7.313	96.319	7.281	96.295	7.329	1,103,254
Aug. 7	Nov. 6, 1969	91	2,705,008	1,602,140	1,212,101	390,039	98.232	6.993	[2] 98.247	6.935	98.226	7.018	1,700,279
7	Feb. 5, 1970	182	2,444,938	1,203,246	971,016	232,230	96.418	7.086	96.444	7.034	96.411	7.099	1,100,483
14	Nov. 13, 1969	91	2,689,302	1,589,729	1,204,636	385,093	98.210	7.083	[2] 98.220	7.042	98.206	7.097	1,701,597
14	Feb. 13, 1970	183	2,127,707	1,199,449	983,029	216,420	96.301	7.277	[2] 96.316	7.247	96.290	7.298	1,100,498
21	Nov. 20, 1969	91	2,528,374	1,601,668	1,253,083	348,585	98.267	6.855	98.280	6.804	98.255	6.903	1,700,472
21	Feb. 19, 1970	182	2,168,916	1,202,422	992,554	209,868	96.400	7.121	[2] 96.415	7.091	96.388	7.145	1,104,142
	1969												
	Sept. 18	24											
	Sept. 25	31											
	Oct. 2	38											
25 [3]	Oct. 9	45	3,251,377	2,120,538	2,027,907	92,631	99.307	5.543	99.346	5.232	99.284	5.728	
	Oct. 16	52											
	Oct. 23	59											
	Oct. 30	66											
28	Nov. 28	92	2,413,410	1,600,219	1,263,353	336,866	98.186	7.099	[2] 98.208	7.012	98.176	7.137	1,701,307
28	Feb. 26, 1970	182	2,243,259	1,201,022	1,018,378	182,644	96.313	7.292	[2] 96.328	7.263	96.298	7.323	1,100,827

Sept.	4	Dec. 4, 1969	91	2, 684, 106	1, 602, 411	1, 288, 387	314, 024	98. 227	7. 012	[2] 98. 244	6. 947	98. 222	7. 034	1, 700, 954
	4	Mar. 5, 1970	182	2, 104, 474	1, 201, 020	1, 023, 981	177, 039	96. 377	7. 167	96. 405	7. 111	96. 360	7. 200	1, 101, 660
	11	Dec. 11, 1969	91	2, 568, 988	1, 600, 216	1, 189, 242	410, 974	98. 184	7. 183	[2] 98. 200	7. 121	98. 176	7. 216	1, 700, 145
	11	Mar. 12, 1970	182	2, 084, 197	1, 201, 360	988, 497	212, 863	96. 255	7. 407	[2] 96. 268	7. 382	96. 240	7. 437	1, 100, 151
	18	Dec. 18, 1969	91	2, 671, 286	1, 801, 038	1, 419, 455	381, 583	98. 191	7. 156	98. 201	7. 117	98. 185	7. 180	1, 600, 291
	18	Mar. 19, 1970	182	2, 132, 873	1, 200, 698	985, 200	215, 498	96. 295	7. 329	[2] 96. 306	7. 307	96. 289	7. 340	[4] 1, 100, 321
	25	Dec. 26, 1969	92	2, 767, 867	1, 800, 570	1, 406, 535	394, 035	98. 170	7. 162	98. 181	7. 118	98. 164	7. 184	1, 600, 338
		1970												
	25	Mar. 26	182	2, 329, 900	1, 201, 115	986, 888	214, 227	96. 278	7. 361	[2] 96. 288	7. 342	96. 274	7. 370	[4] 1, 100, 689
Oct.	2	Jan. 2	92	2, 506, 684	1, 811, 541	1, 393, 602	417, 939	98. 184	7. 106	[2] 98. 195	7. 063	98. 173	7. 149	1, 600, 180
	2	Apr. 2	182	2, 211, 157	1, 208, 450	971, 598	236, 852	96. 289	7. 340	96. 306	7. 307	96. 282	7. 354	[4] 1, 100, 404
	9	Jan. 8	91	2, 689, 946	1, 800, 650	1, 350, 115	450, 535	98. 219	7. 047	98. 238	6. 971	98. 213	7. 069	1, 599, 732
	9	Apr. 9	182	2, 021, 550	1, 200, 584	930, 579	270, 005	96. 315	7. 290	[2] 96. 334	7. 251	96. 300	7. 319	[4] 1, 101, 261
	16	Jan. 15	91	2, 577, 554	1, 804, 670	1, 419, 920	384, 750	98. 220	7. 041	98. 231	6. 998	98. 215	7. 062	1, 601, 561
	16	Apr. 16	182	2, 292, 771	1, 203, 109	992, 750	210, 359	96. 296	7. 327	[2] 96. 304	7. 311	96. 292	7. 335	[4] 1, 100, 975
	23	Jan. 22	91	2, 830, 645	1, 798, 980	1, 377, 962	421, 018	98. 237	6. 973	[2] 98. 255	6. 903	98. 231	6. 998	1, 600, 718
	23	Apr. 23	182	2, 490, 155	1, 200, 393	940, 408	259, 985	96. 327	7. 265	96. 341	7. 238	96. 321	7. 277	[4] 1, 102, 578
	30	Jan. 29	91	2, 945, 889	1, 799, 921	1, 431, 846	368, 075	98. 223	7. 028	98. 231	6. 998	98. 220	7. 042	1, 601, 313
	30	Apr. 30	182	2, 879, 717	1, 200, 988	985, 019	215, 969	96. 328	7. 263	96. 336	7. 247	96. 322	7. 275	[4] 1, 099, 921
Nov.	6	Feb. 5	91	2, 994, 349	1, 801, 682	1, 430, 090	371, 592	98. 231	6. 999	[2] 98. 245	6. 943	98. 224	7. 026	1, 602, 140
	6	May 7	182	2, 294, 491	1, 201, 387	989, 991	211, 396	96. 319	7. 281	[2] 96. 341	7. 238	96. 310	7. 299	1, 300, 282
	13	Feb. 13	92	2, 778, 648	1, 800, 358	1, 436, 557	363, 801	98. 171	7. 157	[2] 98. 190	7. 083	98. 163	7. 188	1, 589, 729
	13	May 14	182	2, 593, 044	1, 204, 069	978, 740	225, 329	96. 241	7. 435	[2] 96. 250	7. 418	96. 235	7. 447	1, 300, 474
	20	Feb. 19	91	2, 655, 443	1, 801, 152	1, 460, 294	340, 858	98. 195	7. 142	98. 206	7. 097	98. 184	7. 184	1, 601, 668
	20	May 21	182	2, 265, 239	1, 200, 408	996, 221	204, 187	96. 199	7. 519	[2] 96. 212	7. 493	96. 192	7. 532	1, 300, 740
	28	Feb. 26	90	2, 733, 416	1, 800, 624	1, 462, 948	337, 676	98. 131	7. 477	[2] 98. 178	7. 288	98. 119	7. 524	1, 600, 219
	28	May 28	181	3, 392, 301	1, 201, 189	976, 049	225, 140	95. 964	8. 028	[2] 95. 968	8. 019	95. 962	8. 031	1, 300, 016
Dec.	4	Mar. 5	91	2, 867, 269	1, 799, 794	1, 453, 914	345, 880	98. 116	7. 452	98. 132	7. 390	98. 109	7. 481	1, 602, 411
	4	June 4	182	2, 151, 865	1, 200, 237	940, 328	259, 909	96. 151	7. 613	[2] 96. 182	7. 552	96. 132	7. 651	1, 301, 356
	11	Mar. 12	91	2, 379, 947	1, 799, 973	1, 393, 180	406, 793	98. 053	7. 701	[2] 98. 068	7. 643	98. 041	7. 750	1, 600, 216
	11	June 11	182	2, 097, 331	1, 200, 323	912, 509	287, 814	96. 055	7. 803	[2] 96. 078	7. 758	96. 032	7. 849	1, 300, 610
	18	Mar. 19	91	2, 666, 351	1, 801, 446	1, 405, 240	396, 206	97. 998	7. 920	[2] 98. 033	7. 782	97. 988	7. 960	1, 801, 038
	18	June 18	182	2, 176, 320	1, 200, 879	937, 006	263, 873	95. 995	7. 921	[2] 96. 030	7. 853	95. 980	7. 952	1, 100, 761
	26	Mar. 26	90	2, 441, 468	1, 809, 348	1, 460, 743	348, 605	98. 049	7. 805	98. 060	7. 760	98. 041	7. 836	1, 800, 570
	26	June 25	181	1, 872, 455	1, 209, 135	998, 430	210, 705	96. 071	7. 815	96. 094	7. 769	96. 057	7. 842	1, 100, 270

See footnotes at end of table.

Summary of information pertaining to Treasury bills issued during the fiscal year 1970—Continued

[Dollar amounts in thousands]

Date of issue	Date of maturity	Days to maturity[1]	Maturity value				Prices and rates						Amount maturing on issue date of new offering
			Total applied for	Tenders accepted			Total bids accepted		Competitive bids accepted				
				Total accepted	On competitive basis	On noncompetitive basis	Average price per hundred	Equivalent average rate (percent)	High		Low		
									Price per hundred	Equivalent rate (percent)	Price per hundred	Equivalent rate (percent)	
REGULAR WEEKLY													
1970													
Jan. 2	Apr. 2	90	2,426,370	1,802,265	1,402,808	399,457	97.976	8.095	98.025	7.900	97.953	8.188	1,811,541
2	July 2	181	2,216,501	1,201,671	937,895	263,776	95.927	8.101	[2] 95.966	8.023	95.904	8.147	1,099,668
8	Apr. 9	91	2,720,023	1,804,029	1,285,724	518,305	97.988	7.960	[2] 98.012	7.865	97.982	7.983	1,800,650
8	July 9	182	2,513,799	1,207,360	720,408	486,952	95.960	7.991	[2] 95.966	7.979	95.956	7.999	1,102,021
15	Apr. 16	91	2,875,904	1,802,010	1,234,670	567,340	98.019	7.837	[2] 98.029	7.797	98.009	7.876	1,804,670
15	July 16	182	3,159,202	1,205,324	612,032	593,292	96.065	7.783	[2] 96.076	7.762	96.064	7.785	1,100,863
22	Apr. 23	91	3,159,906	1,802,069	1,263,278	538,791	98.031	7.788	98.041	7.750	98.027	7.805	1,798,980
22	July 23	182	2,532,320	1,204,197	760,604	443,593	96.126	7.663	[2] 96.158	7.600	96.120	7.675	1,101,212
29	Apr. 30	91	2,774,430	1,800,548	1,308,080	492,468	98.006	7.890	[2] 98.018	7.841	97.998	7.920	1,799,921
29	July 30	182	2,263,922	1,200,395	870,880	329,515	96.069	7.776	[2] 96.090	7.734	96.061	7.791	1,100,720
Feb. 5	May 7	91	2,824,443	1,800,962	1,301,613	499,349	98.040	7.754	98.049	7.718	98.036	7.770	1,801,682
5	Aug. 6	182	2,649,392	1,202,619	874,221	328,398	96.098	7.719	96.101	7.712	96.096	7.722	1,203,246
13	May 14	90	2,896,356	1,789,871	1,313,347	476,524	98.172	7.311	[2] 98.186	7.256	98.164	7.344	1,800,358
13	Aug. 13	181	2,367,821	1,200,664	873,158	327,506	96.286	7.387	[2] 96.294	7.371	96.278	7.403	1,199,449
19	May 21	91	2,693,715	1,802,584	1,374,914	427,670	98.287	6.775	[2] 98.310	6.686	98.273	6.832	1,801,152
19	Aug. 20	182	2,092,740	1,197,585	911,145	286,440	96.503	6.917	[2] 96.531	6.862	96.470	6.982	1,202,422
26	May 28	91	2,573,164	1,801,104	1,487,415	313,689	98.278	6.813	98.289	6.769	98.268	6.852	1,800,624
26	Aug. 27	182	1,958,087	1,300,775	1,113,522	187,253	96.474	6.974	96.497	6.929	96.450	7.022	1,201,022

Mar.	5	June 4	91	2,458,800	1,801,470	1,463,140	338,330	98.264	6.868	98.283	6.793	98.249	6.927	1,799,794
	5	Sept. 3	182	2,192,130	1,301,680	1,088,730	212,950	96.576	6.773	96.602	6.721	96.564	6.796	1,201,020
	12	June 11	91	2,986,060	1,798,040	1,435,090	362,950	98.262	6.877	98.267	6.856	98.256	6.899	1,799,973
	12	Sept. 10	182	2,831,730	1,301,270	1,102,430	198,840	96.598	6.729	96.608	6.709	96.594	6.737	1,201,360
	19	June 18	91	3,050,790	1,802,540	1,434,760	367,780	98.272	6.837	98.285	6.785	98.268	6.852	1,801,446
	19	Sept. 17	182	2,684,820	1,303,370	1,123,860	179,510	96.609	6.707	96.613	6.700	96.598	6.729	1,200,698
	26	June 25	91	3,837,970	1,804,070	1,442,230	361,840	98.417	6.264	98.421	6.247	98.415	6.270	1,809,348
	26	Sept. 24	182	2,383,180	1,302,370	1,127,430	174,940	96.874	6.184	96.896	6.140	96.858	6.215	1,201,115
Apr.	2	July 2	91	2,603,640	1,800,270	1,482,410	317,860	98.400	6.329	98.435	6.191	98.390	6.369	1,802,265
	2	Oct. 1	182	2,097,920	1,301,180	1,139,340	161,840	96.769	6.392	[2] 96.779	6.371	96.740	6.448	1,208,450
	9	July 9	91	2,617,630	1,801,980	1,411,580	390,400	98.380	6.408	[2] 98.393	6.357	98.366	6.464	1,804,029
	9	Oct. 8	182	2,695,860	1,304,990	1,087,740	217,250	96.737	6.455	[2] 96.760	6.409	96.733	6.462	1,200,584
	16	July 16	91	3,087,680	1,802,350	1,403,210	399,140	98.405	6.310	98.418	6.258	98.402	6.322	1,802,010
	16	Oct. 15	182	2,446,520	1,300,760	1,094,270	206,490	96.842	6.247	[2] 96.849	6.233	96.837	6.256	1,203,109
	23	July 23	91	2,768,360	1,802,710	1,383,450	419,260	98.363	6.476	[2] 98.382	6.401	98.357	6.500	1,802,069
	23	Oct. 22	182	2,272,430	1,302,550	1,106,540	196,010	96.717	6.494	[2] 96.764	6.401	96.700	6.527	1,200,393
	30	July 30	91	2,445,320	1,801,200	1,414,740	386,460	98.262	6.876	[2] 98.306	6.702	98.225	7.022	1,800,548
	30	Oct. 29	182	2,905,790	1,301,300	1,118,920	182,380	96.333	7.253	96.398	7.125	96.324	7.271	1,200,987
May	7	Aug. 6	91	2,869,470	1,800,730	1,423,060	377,670	98.184	7.184	[2] 98.243	6.951	98.168	7.247	1,800,962
	7	Nov. 5	182	2,846,030	1,301,030	1,088,470	212,560	96.212	7.493	[2] 96.294	7.331	96.188	7.540	1,201,387
	14	Aug. 13	91	2,866,620	1,802,030	1,413,550	388,480	98.232	6.994	[2] 98.292	6.757	98.203	7.109	1,789,871
	14	Nov. 12	182	2,597,320	1,301,680	1,080,480	221,200	96.359	7.201	[2] 96.514	6.895	96.314	7.291	1,204,069
	21	Aug. 20	91	2,965,990	1,789,770	1,423,480	366,290	98.274	6.827	98.294	6.749	98.268	6.852	1,802,584
	21	Nov. 19	182	2,605,710	1,303,530	1,095,400	208,130	96.463	6.996	96.496	6.931	96.450	7.022	1,200,408
	28	Aug. 27	91	2,853,750	1,801,900	1,481,700	320,200	98.197	7.133	[2] 98.230	7.002	98.185	7.180	1,801,104
	28	Nov. 27	183	3,216,420	1,300,780	1,107,060	193,720	96.261	7.356	[2] 96.294	7.290	96.256	7.365	1,201,189
June	4	Sept. 3	91	2,743,440	1,800,910	1,453,030	347,880	98.275	6.773	98.294	6.749	98.266	6.860	1,801,470
	4	Dec. 3	182	2,809,000	1,306,400	1,091,590	214,810	96.533	6.858	96.555	6.814	96.530	6.864	1,200,237
	11	Sept. 10	91	3,002,230	1,803,040	1,428,090	374,950	98.285	6.729	98.299	6.729	98.282	6.796	1,798,040
	11	Dec. 10	182	2,210,680	1,302,860	1,083,280	219,580	96.514	6.895	[2] 96.542	6.840	96.496	6.931	1,200,323
	18	Sept. 17	91	3,064,405	1,802,570	1,434,740	367,830	98.298	6.732	98.312	6.678	98.295	6.745	1,802,540
	18	Dec. 17	182	2,114,930	1,302,670	1,085,130	217,540	96.488	6.946	[2] 96.524	6.876	96.466	6.990	1,200,879
	25	Sept. 24	91	2,838,400	1,801,070	1,439,070	362,000	98.325	6.626	[2] 98.338	6.575	98.318	6.654	1,804,070
	25	Dec. 24	182	2,412,170	1,302,570	1,071,220	231,350	96.497	6.929	[2] 96.520	6.884	96.491	6.941	1,209,135

Summary of information pertaining to Treasury bills issued during the fiscal year 1970—Continued

[Dollar amounts in thousands]

Date of issue	Date of maturity	Days to maturity [1]	Maturity value				Prices and rates						Amount maturing on issue date of new offering
			Total applied for	Tenders accepted			Total bids accepted		Competitive bids accepted				
				Total accepted	On competitive basis	On noncompetitive basis	Average price per hundred	Equivalent average rate (percent)	High		Low		
									Price per hundred	Equivalent rate (percent)	Price per hundred	Equivalent rate (percent)	
REGULAR MONTHLY													
1969	*1970*												
July 31	Apr. 30	273	1, 609, 582	500, 151	486, 108	14, 043	94. 383	7. 407	94. 422	7. 356	94. 372	7. 422	501, 533
31	July 31	365	2, 204, 364	1, 202, 063	1, 157, 657	44, 406	92. 585	7. 313	92. 649	7. 250	92. 559	7. 339	[5] 1, 000, 963
Sept. 2	May 31	271	1, 312, 487	500, 319	482, 036	18, 283	94. 439	7. 387	94. 478	7. 335	94. 414	7. 421	505, 256
2 [6]	Aug. 31	365	1, 982, 248	1, 200, 516	1, 143, 096	57, 420	92. 558	7. 340	92. 599	7. 300	92. 531	7. 367	[5] 1, 000, 387
30	June 30	273	1, 257, 527	500, 267	483, 998	16, 269	94. 421	7. 357	[2] 94. 464	7. 300	94. 408	7. 374	500, 400
30	Sept. 30	365	1, 950, 309	1, 005, 264	948, 634	56, 630	92. 548	7. 350	92. 660	7. 239	92. 530	7. 368	1, 000, 607
Oct. 31	July 31	273	1, 212, 714	500, 254	479, 843	20, 411	94. 507	7. 244	94. 551	7. 185	94. 483	7. 275	500, 110
31	Oct. 31	365	2, 291, 136	1, 002, 537	927, 627	74, 910	92. 774	7. 127	92. 786	7. 115	92. 763	7. 138	1, 002, 199
Dec. 1	Aug. 31	273	1, 522, 192	500, 666	480, 563	20, 103	94. 102	7. 777	94. 167	7. 692	94. 085	7. 800	500, 061
1 [6]	Nov. 30	365	2, 249, 495	1, 001, 199	939, 120	62, 079	92. 303	7. 591	[2] 92. 347	7. 548	92. 274	7. 620	1, 000, 940
31	Sept. 30	273	1, 003, 321	500, 218	475, 600	24, 618	94. 084	7. 801	94. 127	7. 745	94. 047	7. 850	500, 550
31	Dec. 31	365	1, 645, 031	1, 002, 063	939, 740	62, 323	92. 334	7. 561	92. 384	7. 512	92. 289	7. 605	999, 152
1970													
Feb. 2	Oct. 31	271	1, 344, 331	501, 831	474, 897	26, 934	94. 185	7. 724	94. 211	7. 690	94. 151	7. 770	500, 489
2 [6]	Jan. 31, 1971	365	1, 697, 921	1, 003, 046	866, 502	136, 544	92. 362	7. 533	[2] 92. 421	7. 475	92. 300	7. 595	1, 000, 177
Mar. 2	Nov. 30, 1970	273	1, 227, 974	500, 074	476, 752	23, 322	94. 696	6, 995	[2] 94. 724	6. 957	94. 658	7. 044	500, 164
2 [6]	Feb. 28, 1971	365	1, 884, 016	1, 200, 147	1, 096, 017	104, 130	92. 971	6. 932	[2] 93. 056	6. 849	92. 925	6. 978	1, 000, 376
31	Dec. 31, 1970	275	1, 613, 500	500, 400	480, 440	19, 960	95. 340	6. 101	95. 427	5. 986	95. 326	6. 119	500, 821

	1971												
31	Mar. 31	365	1,903,830	1,201,060	1,132,330	68,730	93.783	6.132	93.866	6.050	93.694	6.220	1,000,536
Apr. 30	Jan. 31	276	1,000,710	500,310	484,330	15,980	94.753	6.843	[2] 94.844	6.725	94.637	6.995	500,151
30	Apr. 30	365	1,724,780	1,199,980	1,145,450	54,530	93.091	6.814	[2] 93.258	6.650	92.908	6.995	1,000,634
June 1	Feb. 28	272	1,292,760	499,960	480,630	19,330	94.445	7.353	[2] 94.518	7.256	94.407	7.403	500,319
1 [6]	May 31	365	2,401,050	1,200,170	1,146,370	53,800	92.622	7.277	[2] 92.670	7.230	92.599	7.300	1,000,225
30	Mar. 31	274	1,243,190	500,560	479,110	21,450	94.620	7.068	[2] 94.695	6.970	94.604	7.090	500,267
30	June 30	365	1,774,040	1,201,430	1,126,230	75,200	92.823	7.079	92.923	6.980	92.766	7.135	1,201,406
						TAX ANTICIPATION							
1969	*1969*												
July 18	Dec. 22	157	3,389,846	1,762,646	1,605,600	157,046	97.045	6.775	97.144	6.549	96.996	6.888	-------------
	1970												
18	Mar. 23	248	3,386,338	1,752,433	1,622,900	129,533	95.039	7.202	[2] 95.143	7.050	95.000	7.258	-------------
Oct. 14	Apr. 22	190	3,179,905	2,006,704	1,897,350	109,354	96.156	7.284	96.200	7.200	96.133	7.327	-------------
29	June 22	236	4,262,430	3,004,380	2,792,460	211,920	95.277	7.204	95.398	7.020	95.234	7.270	-------------
Nov. 26	Apr. 22	147	2,493,530	1,007,472	890,047	117,425	96.809	7.814	[2] 96.869	7.668	96.782	7.881	-------------
26	June 22	208	2,913,675	1,503,570	1,398,247	105,323	95.392	7.976	[2] 95.484	7.816	95.349	8.050	-------------
1970													
Mar. 3	Apr. 22	50	3,404,308	1,753,068	1,628,309	124,759	99.090	6.549	[2] 99.132	6.250	99.068	6.710	-------------
26	Sept. 22	180	5,627,570	1,758,200	1,598,330	159,870	96.911	6.177	96.947	6.106	96.900	6.200	-------------

[1] The 13-week bills are additional issues of bills with an original maturity of 26 weeks except that when the date of maturity of either a 13-week or 26-week issue is on the last day of a month the bills are additional issues of bills with an original maturity of 1 year. The 9-month bills are additional issues of bills with an original maturity of 1 year.

[2] Relatively small amounts of bids were accepted at a price or prices somewhat above the high shown. However, the higher price or prices are not shown in order to prevent an appreciable discontinuity in the range (covered by the high to the low prices shown) which would make it misrepresentative.

[3] An additional $302,934,000 of each of the issues issued as a strip.

[4] An additional $302,934,000 of the strip of bills issued Aug. 25, 1969, matured.

[5] In addition $200,365,000 of a strip of bills issued Mar. 3, 1969, matured.

[6] Issue date on bills is last day of previous month.

NOTE.—The usual timing with respect to weekly issues of Treasury bills is: Press release inviting tenders, 8 days before date of issue, and closing date for the receipt of tenders and press release announcing results of auction, 3 days before date of issue.

Figures are final and may differ from those shown in the press release announcing preliminary results.

For each issue of regular weekly (13-week and 26-week bills) and regular monthly (9-month and 1-year) bills noncompetitive tenders for $200,000 or less from any 1 bidder were accepted in full at the average price of accepted competitive bids. For tax anticipation bills the maximum amount for noncompetitive tenders was $300,000 for the July 18 issues, $400,000 for the Oct. 14 and 29 issues, and $200,000 for the Nov. 26, Mar. 3 and Mar. 26 issues. The maximum amount for noncompetitive tenders for the strip of bills issued Aug. 25 was $210,000.

All equivalent rates of discount are on a bank-discount basis.

Qualified depositaries were permitted to make payment by credit in Treasury tax and loan accounts for all of the tax anticipation series issues, except that for the Oct. 14 issue credit was limited to 50 percent, and the strip issue allotted to them for themselves and their customers. Payment by credit in Treasury tax and loan accounts for the regular weekly and regular monthly bills was not permitted.

Regulations

Exhibit 3.—Department Circular No. 3–67, December 5, 1969, Revised, Notice of Termination of Sale of United States Savings Notes

TREASURY DEPARTMENT,
Washington, December 5, 1969.

NOTICE OF TERMINATION OF SALE

The sale of United States Savings Notes, offered pursuant to Department of the Treasury Circular, Public Debt Series No. 3–67, dated February 22, 1967, as revised (31 CFR Part 342), is hereby terminated effective at the close of business June 30, 1970.

JOHN K. CARLOCK,
Fiscal Assistant Secretary of the Treasury.

Exhibit 4.—Department Circular No. 653, December 12, 1969, Eighth Revision, offering of United States savings bonds, Series E

TREASURY DEPARTMENT,
Washington, December 12, 1969.

PART 316—OFFERING OF UNITED STATES SAVINGS BONDS, SERIES E

The regulations set forth in Treasury Department Circular No. 653, Seventh Revision, dated March 18, 1966, and the tables incorporated therein, as revised, amended and supplemented (31 CFR Part 316), have been further revised and amended as shown below. The changes were effected under authority of section 22 of the Second Liberty Bond Act, as amended (49 Stat. 21, as amended; 31 U.S.C. 757c) and 5 U.S.C. 301. This revision was originally published in Volume 34, Federal Register, Part II, December 6, 1969, and is republished to include table 1, and subsequent tables, which were not included in the original publication. Notice and public procedures thereon are unnecessary as public property and contracts are involved.

Dated: December 12, 1969.

[SEAL]

JOHN K. CARLOCK,
Fiscal Assistant Secretary.

Treasury Department Circular No. 653, Seventh Revision, dated March 18, 1966, and the tables incorporated therein (31 CFR Part 316), as amended, revised and supplemented, are hereby further amended and issued as the Eighth Revision, as follows, effective December 1, 1969.

Sec.

AUTHORITY: The provisions of this Part 316 issued under authority of Sec. 22 of the Second Liberty Bond Act, as amended, 49 Stat. 21, as amended (31 U.S.C. 757c).

§ 316.1 Offering of bonds.

The Secretary of the Treasury hereby offers for sale to the people of the United States, U.S. Savings Bonds of Series E, hereinafter generally referred to as "Series E bonds" or "bonds." This offer will continue until terminated by the Secretary of the Treasury.

§ 316.2 Description of bonds.

(a) *General.* Series E bonds bear a facsimile of the signature of the Secretary of the Treasury and of the Seal of the Department of the Treasury. They are issued only in registered form and are nontransferable.

(b) *Denominations and prices.* Series E bonds are issued on a discount basis. The denominations and purchase prices are:

Denomination	*Purchase price*
$25	$18.75
$50	37.50
$75	56.25
$100	75.00
$200	150.00
$500	375.00
$1,000	750.00
$10,000[1]	7,500.00
$100,000[1]	75,000.00

[1] The $10,000 and $100,000 denominations are available only for purchase by trustees of employees' savings and savings and vacation plans (see sec. 316.5(b)).

(c) *Inscription and issue.* At the time of issue the issuing agent will (1) inscribe on the face of each bond the name and address of the owner, and the name of the beneficiary, if any, or the name and address of the first-named coowner and the name of the other coowner, (2) enter in the upper right-hand portion of the bond the issue date, and (3) imprint the agent's dating stamp in the lower right-hand portion to show the date the bond is actually inscribed. A bond shall be valid only if an authorized issuing agent receives payment therefor and duly inscribes, dates, stamps, and delivers it in accordance with the purchaser's instructions. The Department of the Treasury may require, without prior notice, that the appropriate taxpayer identifying number[1] be furnished for inclusion in the inscription.

(d) *Term.* A Series E bond shall be dated as of the first day of the month in which payment of the purchase price is received by an agent authorized to issue the bonds. This date is the issue date and the bond will mature and be payable at the original maturity value, shown in table 1 hereof, 5 years and 10 months from the issue date. The bond may not be called for redemption by the Secretary of the Treasury prior to maturity or the end of any authorized extension period (see § 316.8(a)(1)). The bond may be redeemed at the owner's option at any time after 2 months from issue date at fixed redemption values. However, the Department of the Treasury may require reasonable notice of presentation for redemption prior to maturity or any extended maturity period.

(e) *Investment yield (interest).* The investment yield (interest) on a Series E bond will be approximately 5 percent per annum, compounded semiannually, if the bond is held to maturity, but the yield will be less if the bond is redeemed prior thereto. The interest will be paid as a part of the redemption value. For the first 6 months from issue date the bond will be redeemable only at issue price. Thereafter, its redemption value will increase at the beginning of each successive half-year period (see table 1).

(f) *Outstanding bonds with issue dates June 1, 1969, or thereafter.* Series E bonds with issue dates of June 1, 1969, or thereafter, and outstanding on the effective date of the regulations in this part, are deemed to be Series E bonds issued under the terms of this part and the investment yield and shorter term of maturity provided for in paragraphs (d) and (e) of this section are applicable to such bonds. Series E bond stock on sale prior to June 1, 1969, will be used for issue under this part until such time as new stock is printed and supplied to issuing agents. Such bonds have the new investment yield and all other privileges as fully as if expressly set forth in the text of the bonds. It will be unnecessary for owners to exchange bonds issued on the old stock for bonds on the new stock as all paying agents will redeem the bonds in accordance with the schedule of redemption values set forth in table 1. However, when the new stock becomes available, issuance on the new stock may be obtained by presentation

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[1] The number required to be used on tax returns and other documents submitted to the Internal Revenue Service (an individual's social security account number or employer identification number). Until it becomes mandatory, issuing agents for Series E bonds under any payroll savings plan desiring to place taxpayer identifying numbers on bonds should obtain instructions from the Bureau of the Public Debt, Washington, D.C. 20220.

for that purpose of bonds issued on the old stock to any Federal Reserve Bank or Branch, or to the Treasurer of the United States, Securities Division, Washington, D.C. 20220.

§ 316.3 Governing regulations.

Series E bonds are subject to the regulations of the Treasury Department, now or hereafter prescribed, governing U.S. Savings Bonds, contained in Department Circular No. 530, current revision (Part 315 of this subchapter).[1]

§ 316.4 Registration.

(a) *General.* Generally, only residents of the United States, its territories and possessions, the Commonwealth of Puerto Rico, the Canal Zone, and citizens of the United States temporarily residing abroad are eligible to be named as owners of Series E bonds. The bonds may be registered in the names of natural persons in their own right as provided in paragraph (b) of this section, and in the names and titles or capacities of fiduciaries and organizations as provided in paragraph (c) of this section. Full information regarding authorized forms of registration and restrictions with respect thereto will be found in the governing regulations.

(b) *Natural persons in their own right.* The bonds may be registered in the names of natural persons (whether adults or minors) in their own right, in single ownership, coownership, and beneficiary forms.

(c) *Others.* The bonds may be registered in single ownership form in the names of fiduciaries and private and public organizations, as follows:

(1) *Fiduciaries.* In the names of and showing the titles or capacities of any persons or organizations, public or private, as fiduciaries (including trustees, legal guardians or similar representatives and certain custodians), but not where the fiduciary would hold the bonds merely or principally as security for the performance of a duty, obligation, or service.

(2) *Private and public organizations.* In the names of private or public organizations (including private corporations, partnerships, and unincorporated associations, and States, counties, public corporations, and other public bodies) in their own right, but not in the names of commercial banks.[2]

§ 316.5 Limitation on holdings.

The amount of Series E bonds originally issued during any 1 calendar year that may be held by any one person, at any one time, computed in accordance with the governing regulations, is limited, as follows:

(a) *General limitation.* $5,000 (issue price) for the calendar year 1969[3] and each calendar year thereafter.[4]

(b) *Special limitation for employees' savings plans.* $2,000 (face amount) multiplied by the highest number of participants in any employees' savings plan, as defined in subparagraph (1) of this paragraph, at any time during the year in which the bonds are issued.[5]

(1) *Definition of plan and conditions of eligibility.* (i) The employees' savings plan must have been established by the employer for the exclusive and irrevocable benefit of his employees or their beneficiaries, afford employees the means of making regular saving from their wages through payroll deductions, and provide for employer contributions to be added to such savings.

(ii) The entire assets thereof must be credited to the individual accounts of participating employees and assets credited to the account of an employee may be distributed only to him or his beneficiary, except as otherwise provided herein.

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[1] Copies may be obtained from any Federal Reserve Bank or Branch, or the Bureau of the Public Debt, Washington, D.C. 20220, or its Chicago Office, 536 South Clark Street, Chicago, Ill. 60605.

[2] Commercial banks, as defined in § 315.7(c)(1) of Department Circular No. 530, current revision, for this purpose are those accepting demand deposits.

[3] Investors who purchased less than $5,000 (issue price) of the bonds prior to the effective date of these regulations will be entitled only to purchase enough to bring their total for the year to that amount. Investors who purchased more than that amount prior to the effective date will not be entitled to purchase additional bonds during the calendar year.

[4] The proceeds of redemption of bonds of Series F, G, J, and K, all now matured, may be used by owners for the purchase of Series E bonds without regard to the limitation under the conditions and restrictions set forth in § 316.5(b) of the seventh revision of this circular.

[5] Savings and vacation plans may be eligible for this special limitation. Questions concerning eligibility of such plans should be addressed to the Bureau of Public Debt, Division of Loans and Currency Branch, 536 South Clark Street, Chicago, Ill. 60605.

(iii) Series E bonds may be purchased only with assets credited to the accounts of participating employees and only if the amount taken from any account at any time for that purpose is equal to the purchase price of a bond or bonds in an authorized denomination or denominations, and shares therein are credited to the accounts of the individuals from which the purchase price thereof was derived, in amounts corresponding with their shares. For example, if $37.50 credited to the account of John Jones is commingled with funds credited to the accounts of other employees to make a total of $7,500, with which a Series E bond in the denomination of $10,000 (face amount) is purchased in February 1966 and registered in the name and title of the trustee, the plan must provide, in effect, that John Jones' account shall be credited to show that he is the owner of a Series E bond in the denomination of $50 (face amount) bearing issue date of February 1, 1966.

(iv) Each participating employee shall have an irrevocable right at any time to demand and receive from the trustee all assets credited to his account or the value thereof, if he so prefers, without regard to any condition other than the loss or suspension of the privilege of participating further in the plan. However, a plan will not be deemed to be inconsistent herewith if it limits or modifies the exercise of any such right by providing that the employer's contribution does not vest absolutely until the employee shall have made contributions under the plan in each of not more than 60 calendar months succeeding the month for which the employer's contribution is made.

(v) Upon the death of an employee, his beneficiary shall have the absolute and unconditional right to demand and receive from the trustee all assets credited to the account of the employee, or the value thereof, if he so prefers.

(vi) When settlement is made with an employee or his beneficiary with respect to any Series E bond registered in the name and title of the trustee in which the employee has a share (see subdivisions (ii) and (iii) of this subparagraph), the bond must be submitted for redemption or reissue to the extent of such share. If an employee or his beneficiary is to receive distribution in kind, bonds bearing the same issue dates as those credited to the employee's account will be reissued in the name of the distributee to the extent to which he is entitled, in authorized denominations, in any authorized form of registration, upon the request and certification of the trustee in accordance wtih the governing regulations.

(2) *Definition of terms used in this subsection—related provisions.* (i) The term "savings plan" includes any regulations issued under the plan with regard to Series E bonds. A trustee desiring to purchase bonds in excess of the general limitation in any calendar year should submit to the Federal Reserve Bank of the District, a copy of (*a*) the plan, (*b*) any such regulations, and (*c*) the trust agreement, all certified to be true copies, in order to establish its eligibility.

(ii) The term "assets" means all funds, including the employees' contributions and employer's contributions and assets purchased therewith as well as accretions thereto, such as dividends on stock, the increment in value on bonds and all other income; but, notwithstanding any other provision of this subsection, the right to demand and receive "all assets" credited to the account of an employee shall not be construed to require the distribution of assets in kind when it would not be possible or practicable to make such distribution; for example, Series E bonds may not be reissued in unauthorized denominations, and fractional shares of stock are not readily distributable in kind.

(iii) The term "beneficiary" means the person or persons, if any, designated by the employee in accordance with the terms of the plan to receive the benefits of the trust upon his death or the estate of the employee, and the term "distributee" means the employee or his beneficiary.

§ 316.6 Purchase of bonds.

Series E bonds may be purchased, as follows:

(a) *Over-the-counter for cash*—(1) *Bonds registered in names of natural persons in their own right only.* At such incorporated banks, trust companies, and other agencies as have been duly qualified as issuing agents and at selected United States post offices.

(2) *Bonds registered in names of trustees of employees' savings plans.* At such incorporated bank, trust company, or other agency, duly qualified as an issuing agent, provided the agent is trustee of an approved employees' savings

plan eligible for the special limitation in § 316.5(b) and prior approval to issue the bonds is obtained from the Federal Reserve Bank of the agent's district.

(3) *Bonds registered in all authorized forms.* At Federal Reserve Banks and Branches and at the Office of the Treasurer of the United States, Securities Division, Washington, D.C. 20220.

(b) *On mail order.* By mail upon application to any Federal Reserve Bank or Branch or to the Office of the Treasurer of the United States, Securities Division, Washington, D.C. 20220, accompanied by a remittance to cover the issue price. Any form of exchange, including personal checks, will be accepted subject to collection. Checks or other forms of exchange should be drawn to the order of the Federal Reserve Bank or the Treasurer of the United States, as the case may be. Checks payable by endorsement are not acceptable. Any depositary qualified pursuant to the provisions of Treasury Department Circular No. 92, current revision (Part 203 of this chapter), will be permitted to make payment by credit for bonds applied for on behalf of its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its district.

(c) *Savings stamps.* Savings stamps, in authorized denominations, may be purchased at most post offices and at such other agencies as may be designated from time to time. The stamps may be used for the purchase of Series E bonds. Albums for affixing the stamps will be available without charge, and such albums will be receivable by any authorized issuing agent in the amount of the affixed stamps on the purchase price of the bonds.

§ 316.7 Delivery of bonds by mail.

Issuing agents are authorized to deliver Series E bonds by mail at the risk and expense of the United States, at the address given by the purchaser, but only within the United States, its territories and possessions, the Commonwealth of Puerto Rico, and the Canal Zone. No mail deliveries elsewhere will be made. If purchased by citizens of the United States temporarily residing abroad, the bonds will be delivered at such address in the United States as the purchaser directs.

§ 316.8 Extended terms and improved yields for outstanding bonds.

(a) *Extended maturity periods*—(1) *General.* The terms "extended maturity period" and "second extended maturity period," when used herein, refer to the intervals after the maturity dates during which owners may retain their bonds and continue to earn interest on the maturity values, or the extended maturity values.[1] No special action is required of owners desiring to take advantage of any extensions heretofore or hereby granted. By continuing to hold their bonds after maturity, or extended maturity, as the case may be, owners will continue to earn further interest on their bonds.[2]

(2) *Bonds with issue dates May 1, 1941, through April 1, 1952.* Owners of Series E bonds with issue dates of May 1, 1941, through April 1, 1952, may retain their bonds for a second extended maturity period of 10 years.

(3) *Bonds with issue dates May 1, 1952, or thereafter.* Owners of Series E bonds with issue dates of May 1, 1952, or thereafter, may retain their bonds for an extended maturity period of 10 years.

(b) *Improved yields*[3]—(1) *Outstanding bonds.* The investment yield on all Series E bonds outstanding on the effective date of these regulations is hereby increased to approximately 5 percent per annum, compounded semiannually, as follows:

(i) *Bonds with issue dates June 1, 1963, through May 1, 1969.* For the remaining period to the maturity date.

(ii) *Bonds with issue dates June 1, 1951, through May 1, 1963.* For any remaining period to the maturity date, extended maturity date, or second extended maturity date, as the case may be.

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[1] The redemption value of any bond at the original maturity date is the base upon which interest will accrue during the extended maturity period. The redemption value of any bond at the extended maturity date is the base upon which interest will accrue during the second extended maturity period.

[2] The tables incorporated herein, arranged according to issue dates, show current redemption values and investment yields.

[3] See appendix for maturities and summary of investment yields to the maturity, extended maturity and second extended maturity dates under regulations heretofore prescribed for Series E bonds with issue dates May 1, 1941, through May 1, 1969.

(iii) *Bonds with issue dates June 1, 1949, through May 1, 1951.* For any remaining period to the extended maturity date and for the second extended maturity period.

(iv) *Bonds with issue dates May 1, 1941, through May 1, 1949.* For the remaining period to the second extended maturity date.

The increase in yield will be less if the bonds are redeemed earlier. The increase, on a graduated basis, will begin with the first 6-month interest accrual period starting on or after June 1, 1969.

(2) *Presently authorized extensions.* The investment yield for any presently-authorized extension period for which tables of redemption values and investment yields are not announced and published herein will be at the rate in effect for Series E bonds being currently issued on the maturity date or extended maturity date, as the case may be.

§ 316.9 Taxation.

(a) *General.* For the purpose of determining taxes and tax exemptions, the increment in value represented by the difference between the price paid for Series E bonds (which are issued on a discount basis) and the redemption value received therefor shall be considered as interest. Such interest is subject to all taxes imposed under the Internal Revenue Code of 1954. The bonds are subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but are exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

(b) *Federal income tax on bonds.* An owner of Series E bonds who is a cash basis taxpayer may use either of two methods for reporting the increase in the redemption value of the bonds for Federal income tax purposes, as follows:

(1) Defer reporting of the increase until the year of maturity, actual redemption, or other disposition, whichever is earlier; or

(2) Elect to report the increases each year as they accrue, in which case the election will apply to all Series E bonds then owned by him and to those thereafter acquired, as well as to any other similar obligations sold on a discount basis.

If method (1) is used, the taxpayer may change to method (2) without obtaining permission from the Internal Revenue Service. However, once the election to use method (2) is made, the taxpayer may not change the method of reporting unless he obtains permission to do so from the Internal Revenue Service, Inquiries concerning further information on Federal taxes should be addressed to the District Director, Internal Revenue Service, of the taxpayer's district, or the Internal Revenue Service, Washington, D.C. 20224.

§ 316.10 Payment or redemption.

(a) *General.* A Series E bond may be redeemed in accordance with its terms at the appropriate redemption value as shown in the applicable tables hereof for bonds bearing various issue dates back to May 1, 1941. The redemption values of bonds in the denomination of $100,000[1] (which was authorized as of January 1, 1954) are not shown in the tables. However, the redemption values of bonds in that denomination will be equal to the total redemption values of ten $10,000 bonds bearing the same issue dates. A Series E bond in a denomination higher than $25 (face amount) may be redeemed in part but only in the amount of an authorized denomination or multiple thereof.

(b) *Federal Reserve Banks and Branches and Treasurer of the United States.* Owners of Series E bonds may obtain payment upon presentation and surrender of the bonds to a Federal Reserve Bank or Branch or to the Office of the Treasurer of the United States, Securities Division, Washington, D.C. 20220, with the requests for payment on the bonds duly executed and certified in accordance with the governing regulations.

(c) *Incorporated banks, trust companies and other financial institutions.* An individual (natural person) whose name is inscribed on a Series E bond either as owner or coowner in his own right may also present such bond to any incorporated bank or trust company or other financial institution which is qualified as a paying agent under Department Circular No. 750, current revision (Part

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[1] The $10,000 and $100,000 denominations are available only for purchase by trustees of employees' savings and savings and vacation plans (see sec. 316.5(b)).

321 of this subchapter). If such bond is in order for payment by the paying agent, the owner or coowner, upon establishing his identity to the satisfaction of the agent and upon signing the request for payment and adding his home or business address, may receive immediate payment of the current redemption value.

§ 316.11 Reservation as to issue of bonds.

The Secretary of the Treasury reserves the right to reject any application for Series E bonds, in whole or in part, and to refuse to issue or permit to be issued hereunder any such bonds in any case or any class or classes of cases if he deems such action to be in the public interest, and his action in any such respect shall be final.

§ 316.12 Preservation of rights.

Nothing contained herein shall limit or restrict rights which owners of Series E bonds heretofore issued have acquired under offers previously in force.

§ 316.13 Fiscal agents.

Federal Reserve Banks and Branches, as fiscal agents of the United States, are authorized to perform such services as may be requested of them by the Secretary of the Treasury in connection with the issue, delivery, redemption, and payment of Series E bonds.

§ 316.14 Reservations as to terms of offer.

The Secretary of the Treasury may at any time or from time to time supplement or amend the terms of this offering of bonds (this Part 316), or of any amendments or supplements thereto.

TABLES OF REDEMPTION VALUES AND INVESTMENT YIELDS FOR UNITED STATES SAVINGS BONDS OF SERIES E

Each table shows: (1) the redemption value for each successive half-year term of holding during the current maturity period and the authorized redemption values during any subsequent maturity period, on bonds bearing issue dates covered by the table; (2) for each maturity period shown, the approximate investment yield on the redemption value at the beginning of such maturity period to the beginning of each half-year period thereafter; and (3) the approximate investment yield on the current redemption value from the beginning of each half-year period to next maturity. Yields are expressed in terms of rate percent per annum, compounded semiannually.

TABLE 1

BONDS BEARING ISSUE DATES BEGINNING JUNE 1, 1969

Issue price / Denomination	$18.75 / 25.00	$37.50 / 50.00	$56.25 / 75.00	$75.00 / 100.00	$150.00 / 200.00	$375.00 / 500.00	$750.00 / 1,000.00	$7,500 / 10,000	Approximate investment yield	
Period after issue date	(1) Redemption values during each half-year period [1] (values increase on first day of period shown)								(2) On purchase price from issue date to beginning of each half-year period [1]	(3) On current redemption value from beginning of each half-year period [1] to maturity
									Percent	*Percent*
First ½ year	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	5 00
½ to 1 year	19.05	38.10	57.15	76.20	152.40	381.00	762.00	7,620	3.20	5.17
1 to 1½ years	19.51	39.02	58.53	78.04	156.08	390.20	780.40	7,804	4.01	5.20
1½ to 2 years	19.95	39.90	59.85	79.80	159.60	399.00	798.00	7,980	4.18	5.29
2 to 2½ years	20.40	40.80	61 20	81.60	163.20	408.00	816.00	8,160	4.26	5.39
2½ to 3 years	20.88	41.76	62.64	83.52	167.04	417.60	835.20	8,352	4.35	5.49
3 to 3½ years	21.39	42.78	64.17	85.56	171.12	427.80	855.60	8,556	4.44	5.60
3½ to 4 years	21.93	43.86	65.79	87.72	175.44	438.60	877.20	8,772	4.53	5.71
4 to 4½ years	22.53	45.06	67.59	90.12	180.24	450.60	901.20	9,012	4.64	5.78
4½ to 5 years	23.16	46.32	69.48	92.64	185.28	463.20	926.40	9,264	4.75	5.85
5 to 5½ years	23.82	47.64	71.46	95.28	190.56	476.40	952.80	9,528	4.84	5.94
5½ years to 5 years and 10 months	24.51	49.02	73.53	98.04	196.08	490.20	980.40	9,804	4.93	6.15
MATURITY VALUE (5 years and 10 months from issue date)	**25.01**	**50.02**	**75.03**	**100.04**	**200.08**	**500.20**	**1,000.40**	**10,004**	**5.00**	

[1] 4-month period in the case of the 5½-year to 5-year and 10-month period.

TABLE 2

BONDS BEARING ISSUE DATE OF MAY 1, 1941

Issue price	$18.75	$37.50	$75.00	$375.00	$750.00	Approximate investment yield	
Denomination	25.00	50.00	100.00	500.00	1,000.00		
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — SECOND EXTENDED MATURITY PERIOD					(2) On the redemption value at start of the second extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to second extended maturity [2]
						Percent	*Percent*
First ½ year [1] (5/1/61)	$33.63	$67.26	$134.52	$672.60	$1,345.20	0.00	3.75
½ to 1 year (11/1/61)	34.26	68.52	137.04	685.20	1,370.40	3.75	3.75
1 to 1½ years (5/1/62)	34 90	69.80	139.60	698.00	1,396.00	3.74	3.75
1½ to 2 years (11/1/62)	35.56	71.12	142.24	711.20	1,422.40	3.76	3.75
2 to 2½ years (5/1/63)	36.22	72.44	144.88	724.40	1,448.80	3.74	3.75
2½ to 3 years (11/1/63)	36.90	73.80	147.60	738.00	1,476.00	3.75	3.75
3 to 3½ years (5/1/64)	37.60	75.20	150.40	752.00	1,504.00	3.75	3.75
3½ to 4 years (11/1/64)	38.30	76.60	153.20	766.00	1,532.00	3.75	3.75
4 to 4½ years (5/1/65)	39.02	78.04	156.08	780.40	1,560.80	3.75	3.75
4½ to 5 years (11/1/65)	39.75	79.50	159.00	795.00	1,590.00	3.75	3.75
5 to 5½ years (5/1/66)	40.50	81.00	162.00	810.00	1,620.00	3.75	4.15
5½ to 6 years (11/1/66)	41.26	82.52	165.04	825.20	1,650.40	3.75	4.19
6 to 6½ years (5/1/67)	42.06	84.12	168.24	841.20	1,682.40	3.76	4.23
6½ to 7 years (11/1/67)	42.90	85.80	171.60	858.00	1,716.00	3.78	4.27
7 to 7½ years (5/1/68)	43.76	87.52	175.04	875.20	1,750.40	3.80	4.31
7½ to 8 years (11/1/68)	44.66	89.32	178.64	893.20	1,786.40	3.82	4.45
8 to 8½ years (5/1/69)	45.60	91.20	182.40	912.00	1,824.00	3.84	4.52
8½ to 9 years (11/1/69)	46.57	93.14	186.28	931.40	1,862.80	3.87	5.00
Redemption values and investment yields to second extended maturity on basis of June 1, 1969, revision							
9 to 9½ years (5/1/70)	47.61	95.22	190.44	952.20	1,904.40	3.90	5.27
9½ to 10 years (11/1/70)	48.77	97.54	195.08	975.40	1,950.80	3.95	5.66
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (5/1/71)	50.15	100.30	200.60	1,003.00	2,006.00	[3] 4.04	

[1] Month, day, and year on which issues of May 1, 1941, enter each period.
[2] Based on second extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to second extended maturity date is 3.31 percent.

TABLE 3

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1941

Issue price	$18.75	$37.50	$75.00	$375.00	$750.00	Approximate investment yield	
Denomination	25.00	50.00	100.00	500.00	1,000.00		
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — SECOND EXTENDED MATURITY PERIOD					(2) On the redemption value at start of the second extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to second extended maturity [2]
						Percent	*Percent*
First ½ year [1] (6/1/61)	$33.73	$67.46	$134.92	$674.60	$1,349.20	0.00	3.75
½ to 1 year (12/1/61)	34.36	68.72	137.44	687.20	1,374.40	3.74	3.75
1 to 1½ years (6/1/62)	35.01	70.02	140.04	700.20	1,400.40	3.76	3.75
1½ to 2 years (12/1/62)	35.66	71.32	142.64	713.20	1,426.40	3.74	3.75
2 to 2½ years (6/1/63)	36.33	72.66	145.32	726.60	1,453.20	3.74	3.75
2½ to 3 years (12/1/63)	37.01	74.02	148.04	740.20	1,480.40	3.75	3.75
3 to 3½ years (6/1/64)	37.71	75.42	150.84	754.20	1,508.40	3.75	3.75
3½ to 4 years (12/1/64)	38.41	76.82	153.64	768.20	1,536.40	3.75	3.75
4 to 4½ years (6/1/65)	39.13	78.26	156.52	782.60	1,565.20	3.75	3.75
4½ to 5 years (12/1/65)	39.87	79.74	159.48	797.40	1,594.80	3.75	4.15
5 to 5½ years (6/1/66)	40.63	81.26	162.52	812.60	1,625.20	3.76	4.19
5½ to 6 years (12/1/66)	41.41	82.82	165.64	828.20	1,656.40	3.76	4.22
6 to 6½ years (6/1/67)	42.22	84.44	168.88	844.40	1,688.80	3.78	4.26
6½ to 7 years (12/1/67)	43.06	86.12	172.24	861.20	1,722.40	3.79	4.30
7 to 7½ years (6/1/68)	43.95	87.90	175.80	879.00	1,758.00	3.82	4.43
7½ to 8 years (12/1/68)	44.86	89.72	179.44	897.20	1,794.40	3.84	4.49
8 to 8½ years (6/1/69)	45.80	91.60	183.20	916.00	1,832.00	3.86	5.00
Redemption values and investment yields to second extended maturity on basis of June 1, 1969, revision							
8½ to 9 years (12/1/69)	46.82	93.64	187.28	936.40	1,872.80	3.90	5.18
9 to 9½ years (6/1/70)	47.91	95.82	191.64	958.20	1,916.40	3.94	5.44
9½ to 10 years (12/1/70)	49.11	98.22	196.44	982.20	1,964.40	3.99	5.86
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (6/1/71)	**50.55**	**101.10**	**202.20**	**1,011.00**	**2,022.00**	**4.09** [3]	

[1] Month, day, and year on which issues of June 1, 1941, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on second extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to second extended maturity date is 3.33 percent.

TABLE 4

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1941, THROUGH APRIL 1, 1942

Issue price / **Denomination**	$18.75 / 25.00	$37.50 / 50.00	$75.00 / 100.00	$375.00 / 500.00	$750.00 / 1,000.00	Approximate investment yield	
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — SECOND EXTENDED MATURITY PERIOD					(2) On the redemption value at start of the second extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to second extended maturity[2]
						Percent	*Percent*
First ½ year [1](12/1/61)	$33.83	$67.66	$135.32	$676.60	$1,353.20	0.00	3.75
½ to 1 year (6/1/62)	34.46	68.92	137.84	689.20	1,378.40	3.72	3.75
1 to 1½ years (12/1/62)	35.11	70.22	140.44	702.20	1,404.40	3.75	3.75
1½ to 2 years (6/1/63)	35.77	71.54	143.08	715.40	1,430.80	3.75	3.75
2 to 2½ years (12/1/63)	36.44	72.88	145.76	728.80	1,457.60	3.75	3.75
2½ to 3 years (6/1/64)	37.12	74.24	148.48	742.40	1,484.80	3.75	3.75
3 to 3½ years (12/1/64)	37.82	75.64	151.28	756.40	1,512.80	3.75	3.75
3½ to 4 years (6/1/65)	38.53	77.06	154.12	770.60	1,541.20	3.75	3.75
4 to 4½ years (12/1/65)	39.25	78.50	157.00	785.00	1,570.00	3.75	4.15
4½ to 5 years (6/1/66)	40.00	80.00	160.00	800.00	1,600.00	3.76	4.18
5 to 5½ years (12/1/66)	40.77	81.54	163.08	815.40	1,630.80	3.77	4.21
5½ to 6 years (6/1/67)	41.56	83.12	166.24	831.20	1,662.40	3.78	4.25
6 to 6½ years (12/1/67)	42.39	84.78	169.56	847.80	1,695.60	3.79	4.28
6½ to 7 years (6/1/68)	43.25	86.50	173.00	865.00	1,730.00	3.82	4.42
7 to 7½ years (12/1/68)	44.14	88.28	176.56	882.80	1,765.60	3.84	4.47
7½ to 8 years (6/1/69)	45.07	90.14	180.28	901.40	1,802.80	3.86	5.00
Redemption values and investment yields to second extended maturity on basis of June 1, 1969, revision							
8 to 8½ years (12/1/69)	46.05	92.10	184.20	921.00	1,842.00	3.89	5.16
8½ to 9 years (6/1/70)	47.11	94.22	188.44	942.20	1,884.40	3.93	5.35
9 to 9½ years (12/1/70)	48.25	96.50	193.00	965.00	1,930.00	3.98	5.60
9½ to 10 years (6/1/71)	49.49	98.98	197.96	989.80	1,979.60	4.04	6.06
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (12/1/71)	**50.99**	**101.98**	**203.96**	**1,019.80**	**2,039.60**	[3] **4.15**	

[1] Month, day, and year on which issues of Dec. 1, 1941, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on second extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to second extended maturity date is 3.36 percent.

TABLE 5

BONDS BEARING ISSUE DATE OF MAY 1, 1942

Issue price	**$18.75**	**$37.50**	**$75.00**	**$375.00**	**$750.00**	Approximate investment yield	
Denomination	**25.00**	**50.00**	**100.00**	**500.00**	**1,000.00**		
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — SECOND EXTENDED MATURITY PERIOD					(2) On the redemption value at start of the second extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to second extended maturity [2]
						Percent	*Percent*
First ½ year [1] (5/1/62)	$34.09	$68.18	$136.36	$681.80	$1,363.60	0.00	3.75
½ to 1 year (11/1/62)	34.73	69.46	138.92	694.60	1,389.20	3.75	3.75
1 to 1½ years (5/1/63)	35.38	70.76	141.52	707.60	1,415.20	3.75	3.75
1½ to 2 years (11/1/63)	36.04	72.08	144.16	720.80	1,441.60	3.74	3.75
2 to 2½ years (5/1/64)	36.72	73.44	146.88	734.40	1,468.80	3.75	3.75
2½ to 3 years (11/1/64)	37.41	74.82	149.64	748.20	1,496.40	3.75	3.75
3 to 3½ years (5/1/65)	38.11	76.22	152.44	762.20	1,524.40	3.75	3.75
3½ to 4 years (11/1/65)	38.82	77.64	155.28	776.40	1,552.80	3.75	3.75
4 to 4½ years (5/1/66)	39.55	79.10	158.20	791.00	1,582.00	3.75	4.15
4½ to 5 years (11/1/66)	40.30	80.60	161.20	806.00	1,612.00	3.75	4.18
5 to 5½ years (5/1/67)	41.08	82.16	164.32	821.60	1,643.20	3.77	4.22
5½ to 6 years (11/1/67)	41.88	83.76	167.52	837.60	1,675.20	3.78	4.25
6 to 6½ years (5/1/68)	42.71	85.42	170.84	854.20	1,708.40	3.79	4.29
6½ to 7 years (11/1/68)	43.58	87.16	174.32	871.60	1,743.20	3.81	4.42
7 to 7½ years (5/1/69)	44.49	88.98	177.96	889.80	1,779.60	3.84	4.46
7½ to 8 years (11/1/69)	45.41	90.82	181.64	908.20	1,816.40	3.86	5.00
Redemption values and investment yields to second extended maturity on basis of June 1, 1969, revision							
8 to 8½ years (5/1/70)	46.40	92.80	185.60	928.00	1,856.00	3.89	5.16
8½ to 9 years (11/1/70)	47.47	94.94	189.88	949.40	1,898.80	3.93	5.35
9 to 9½ years (5/1/71)	48.62	97.24	194.48	972.40	1,944.80	3.98	5.60
9½ to 10 years (11/1/71)	49.87	99.74	199.48	997.40	1,994.80	4.04	6.06
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (5/1/72)	**51.38**	**102.76**	**205.52**	**1,027.60**	**2,055.20**	[3] 4.14	

[1] Month, day, and year on which issues of May 1, 1942, enter each period.
[2] Based on second extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to second extended maturity date is 3.39 percent.

TABLE 6

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1942

Issue price	$18.75	$37.50	$75.00	$375.00	$750.00	Approximate investment yield	
Denomination	25.00	50.00	100.00	500.00	1,000.00		
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — SECOND EXTENDED MATURITY PERIOD					(2) On the redemption value at start of the second extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to second extended maturity [2]
						Percent	*Percent*
First ½ year ... [1](6/1/62)	$34.17	$68.34	$136.68	$683.40	$1,366.80	0.00	3.75
½ to 1 year ... (12/1/62)	34.81	69.62	139.24	696.20	1,392.40	3.75	3.75
1 to 1½ years ... (6/1/63)	35.46	70.92	141.84	709.20	1,418.40	3.74	3.75
1½ to 2 years ... (12/1/63)	36.13	72.26	144.52	722.60	1,445.20	3.75	3.75
2 to 2½ years ... (6/1/64)	36.81	73.62	147.24	736.20	1,472.40	3.76	3.75
2½ to 3 years ... (12/1/64)	37.50	75.00	150.00	750.00	1,500.00	3.75	3.75
3 to 3½ years ... (6/1/65)	38.20	76.40	152.80	764.00	1,528.00	3.75	3.75
3½ to 4 years ... (12/1/65)	38.92	77.84	155.68	778.40	1,556.80	3.75	4.15
4 to 4½ years ... (6/1/66)	39.65	79.30	158.60	793.00	1,586.00	3.75	4.18
4½ to 5 years ... (12/1/66)	40.41	80.82	161.64	808.20	1,616.40	3.76	4.21
5 to 5½ ye rs ... (6/1/67)	41.21	82.42	164.84	824.20	1,648.40	3.78	4.24
5½ to 6 years ... (12/1/67)	42.02	84.04	168.08	840.40	1,680.80	3.80	4.27
6 to 6½ years ... (6/1/68)	42.86	85.72	171.44	857.20	1,714.40	3.81	4.40
6½ to 7 years ... (12/1/68)	43.74	87.48	174.96	874.80	1,749.60	3.83	4.45
7 to 7½ years ... (6/1/69)	44.65	89.30	178.60	893.00	1,786.00	3.86	5.00
Redemption values and investment yields to second extended maturity on basis of June 1, 1969, revision							
7½ to 8 years ... (12/1/69)	45.61	91.22	182.44	912.20	1,824.40	3.89	5.14
8 to 8½ years ... (6/1/70)	46.65	93.30	186.60	933.00	1,866.00	3.93	5.29
8½ to 9 years ... (12/1/70)	47.76	95.52	191.04	955.20	1,910.40	3.98	5.46
9 to 9½ years ... (6/1/71)	48.95	97.90	195.80	979.00	1,958.00	4.03	5.70
9½ to 10 years ... (12/1/71)	50.22	100.44	200.88	1,004.40	2,008.80	4.09	6.21
SECOND EXTENDED MATURITY VALUE (30 years from issue date) ... (6/1/72)	**51.78**	**103.56**	**207.12**	**1,035.60**	**2,071.20**	**4.20**	...

[1] Month, day, and year on which issues of June 1, 1942, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on second extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to second extended maturity date is 3.41 percent.

TABLE 7

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1942, THROUGH MAY 1, 1943

Issue price / **Denomination**	**$18.75** / **25.00**	**$37.50** / **50.00**	**$75.00** / **100.00**	**$375.00** / **500.00**	**$750.00** / **1,000.00**	Approximate investment yield	
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — SECOND EXTENDED MATURITY PERIOD					(2) On the redemption value at start of the second extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to second extended maturity [2]
						Percent	*Percent*
First ½ year[1] (12/1/62)	$34.26	$68.52	$137.04	$685.20	$1,370.40	0.00	3.75
½ to 1 year (6/1/63)	34.90	69.80	139.60	698.00	1,396.00	3.74	3.75
1 to 1½ years (12/1/63)	35.56	71.12	142.24	711.20	1,422.40	3.76	3.75
1½ to 2 years (6/1/64)	36.22	72.44	144.88	724.40	1,448.80	3.74	3.75
2 to 2½ years (12/1/64)	36.90	73.80	147.60	738.00	1,476.00	3.75	3.75
2½ to 3 years (6/1/65)	37.59	75.18	150.36	751.80	1,503.60	3.75	3.75
3 to 3½ years (12/1/65)	38.30	76.60	153.20	766.00	1,532.00	3.75	4.15
3½ to 4 years (6/1/66)	39.03	78.06	156.12	780.60	1,561.20	3.76	4.18
4 to 4½ years (12/1/66)	39.77	79.54	159.08	795.40	1,590.80	3.76	4.21
4½ to 5 years (6/1/67)	40.54	81.08	162.16	810.80	1,621.60	3.78	4.24
5 to 5½ years (12/1/67)	41.34	82.68	165.36	826.80	1,653.60	3.79	4.27
5½ to 6 years (6/1/68)	42.18	84.36	168.72	843.60	1,687.20	3.82	4.40
6 to 6½ years (12/1/68)	43.04	86.08	172.16	860.80	1,721.60	3.84	4.44
6½ to 7 years (6/1/69)	43.93	87.86	175.72	878.60	1,757.20	3.86	5.00
Redemption values and investment yields to second extended maturity on basis of June 1, 1969, revision							
7 to 7½ years (12/1/69)	44.87	89.74	179.48	897.40	1,794.80	3.89	5.12
7½ to 8 years (6/1/70)	45.86	91.72	183.44	917.20	1,834.40	3.93	5.26
8 to 8½ years (12/1/70)	46.93	93.86	187.72	938.60	1,877.20	3.97	5.41
8½ to 9 years (6/1/71)	48.07	96.14	192.28	961.40	1,922.80	4.02	5.60
9 to 9½ years (12/1/71)	49.29	98.58	197.16	985.80	1,971.60	4.08	5.86
9½ years to 10 years (6/1/72)	50.60	101.20	202.40	1,012.00	2,024.00	4.15	6.40
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (12/1/72)	**52.22**	**104.44**	**208.88**	**1,044.40**	**2,088.80**	[3] **4.26**	

[1] Month, day, and year on which issues of Dec. 1, 1942, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on second extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to second extended maturity date is 3.44 percent.

TABLE 8

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1943

Issue price	$18.75	$37.50	$75.00	$375.00	$750.00	Approximate investment yield	
Denomination	25.00	50.00	100.00	500.00	1,000.00		
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) SECOND EXTENDED MATURITY PERIOD					(2) On the redemption value at start of the second extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to second extended maturity [2]
						Percent	*Percent*
First ½ year [1] (6/1/63)	$34.34	$68.68	$137.36	$686.80	$1,373.60	0.00	3.75
½ to 1 year (12/1/63)	34.98	69.96	139.92	699.60	1,399.20	3.73	3.75
1 to 1½ years (6/1/64)	35.64	71.28	142.56	712.80	1,425.60	3.75	3.75
1½ to 2 years (12/1/64)	36.31	72.62	145.24	726.20	1,452.40	3.75	3.75
2 to 2½ years (6/1/65)	36.99	73.98	147.96	739.80	1,479.60	3.75	3.75
2½ to 3 years (12/1/65)	37.68	75.36	150.72	753.60	1,507.20	3.75	4.15
3 to 3½ years (6/1/66)	38.40	76.80	153.60	768.00	1,536.00	3.76	4.18
3½ to 4 years (12/1/66)	39.13	78.26	156.52	782.60	1,565.20	3.77	4.20
4 to 4½ years (6/1/67)	39.89	79.78	159.56	797.80	1,595.60	3.78	4.23
4½ to 5 years (12/1/67)	40.68	81.36	162.72	813.60	1,627.20	3.80	4.25
5 to 5½ years (6/1/68)	41.49	82.98	165.96	829.80	1,659.60	3.82	4.39
5½ to 6 years (12/1/68)	42.33	84.66	169.32	846.60	1,693.20	3.84	4.42
6 to 6½ years (6/1/69)	43.20	86.40	172.80	864.00	1,728.00	3.86	5.00
Redemption values and investment yields to second extended maturity on basis of June 1, 1969, revision							
6½ to 7 years (12/1/69)	44.10	88.20	176.40	882.00	1,764.00	3.89	5.12
7 to 7½ years (6/1/70)	45.08	90.16	180.32	901.60	1,803.20	3.93	5.24
7½ to 8 years (12/1/70)	46.11	92.22	184.44	922.20	1,844.40	3.97	5.37
8 to 8½ years (6/1/71)	47.23	94.46	188.92	944.60	1,889.20	4.02	5.50
8½ to 9 years (12/1/71)	48.39	96.78	193.56	967.80	1,935.60	4.08	5.69
9 to 9½ years (6/1/72)	49.64	99.28	198.56	992.80	1,985.60	4.14	5.95
9½ to 10 years (12/1/72)	50.96	101.92	203.84	1,019.20	2,038.40	4.20	6.59
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (6/1/73)	52.64	105.28	210.56	1,052.80	2,105.60	[3] 4.32	----------------

[1] Month, day, and year on which issues of June 1, 1943, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on second extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to second extended maturity date is 3.47 percent.

TABLE 9

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1943 THROUGH MAY 1, 1944

Issue price	$18.75	$37.50	$75.00	$375.00	$750.00	Approximate investment yield	
Denomination	25.00	50.00	100.00	500.00	1,000.00		
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — SECOND EXTENDED MATURITY PERIOD					(2) On the redemption value at start of the second extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to second extended maturity [2]
						Percent	*Percent*
First ½ year [1] (12/1/63)	$34.43	$68.86	$137.72	$688.60	$1,377.20	0.00	3.75
½ to 1 year (6/1/64)	35.08	70.16	140.32	701.60	1,403.20	3.78	3.75
1 to 1½ years (12/1/64)	35.73	71.46	142.92	714.60	1,429.20	3.74	3.75
1½ to 2 years (6/1/65)	36.40	72.80	145.60	728.00	1,456.00	3.74	3.75
2 to 2½ years (12/1/65)	37.09	74.18	148.36	741.80	1,483.60	3.76	4.15
2½ to 3 years (6/1/66)	37.79	75.58	151.16	755.80	1,511.60	3.76	4.17
3 to 3½ years (12/1/66)	38.51	77.02	154.04	770.20	1,540.40	3.77	4.20
3½ to 4 years (6/1/67)	39.25	78.50	157.00	785.00	1,570.00	3.78	4.23
4 to 4½ years (12/1/67)	40.03	80.06	160.12	800.60	1,601.20	3.80	4.25
4½ to 5 years (6/1/68)	40.83	81.66	163.32	816.60	1,633.20	3.82	4.37
5 to 5½ years (12/1/68)	41.65	83.30	166.60	833.00	1,666.00	3.84	4.41
5½ to 6 years (6/1/69)	42.50	85.00	170.00	850.00	1,700.00	3.87	5.00
Redemption values and investment yields to second extended maturity on basis of June 1, 1969, revision							
6 to 6½ years (12/1/69)	43.38	86.76	173.52	867.60	1,735.20	3.89	5.11
6½ to 7 years (6/1/70)	44.32	88.64	177.28	886.40	1,772.80	3.92	5.22
7 to 7½ years (12/1/70)	45.34	90.68	181.36	906.80	1,813.60	3.97	5.32
7½ to 8 years (6/1/71)	46.40	92.80	185.60	928.00	1,856.00	4.02	5.45
8 to 8½ years (12/1/71)	47.54	95.08	190.16	950.80	1,901.60	4.07	5.59
8½ to 9 years (6/1/72)	48.75	97.50	195.00	975.00	1,950.00	4.13	5.75
9 to 9½ years (12/1/72)	50.02	100.04	200.08	1,000.40	2,000.80	4.19	6.03
9½ to 10 years (6/1/73)	51.37	102.74	205.48	1,027.40	2,054.80	4.26	6.66
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (12/1/73)	**53.08**	**106.16**	**212.32**	**1,061.60**	**2,123.20**	[3] 4.38	

[1] Month, day, and year on which issues of Dec. 1, 1943, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on second extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to second extended maturity date is 3.50 percent.

TABLE 10

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1944

Issue price / Denomination	$7.50 / 10.00	$18.75 / 25.00	$37.50 / 50.00	$75.00 / 100.00	$375.00 / 500.00	$750.00 / 1,000.00	Approximate investment yield	
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — SECOND EXTENDED MATURITY PERIOD.						(2) On the redemption value at start of the second extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to second extended maturity [2]
							Percent	*Percent*
First ½ year [1] (6/1/64)	$13.80	$34.51	$69.02	$138.04	$690.20	$1,380.40	0.00	3.75
½ to 1 year (12/1/64)	14.06	35.16	70.32	140.64	703.20	1,406.40	3.77	3.75
1 to 1½ years (6/1/65)	14.33	35.82	71.64	143.28	716.40	1,432.80	3.76	3.75
1½ to 2 years (12/1/65)	14.60	36.49	72.98	145.96	729.80	1,459.60	3.75	4.15
2 to 2½ years (6/1/66)	14.87	37.18	74.36	148.72	743.60	1,487.20	3.76	4.17
2½ to 3 years (12/1/66)	15.16	37.89	75.78	151.56	757.80	1,515.60	3.77	4.20
3 to 3½ years (6/1/67)	15.45	38.62	77.24	154.48	772.40	1,544.80	3.79	4.22
3½ to 4 years (12/1/67)	15.75	39.37	78.74	157.48	787.40	1,574 80	3.80	4.25
4 to 4½ years (6/1/68)	16.06	40.16	80.32	160.64	803.20	1,606.40	3.83	4.37
4½ to 5 years (12/1/68)	16.38	40.96	81.92	163.84	819.20	1,638.40	3.84	4.40
5 to 5½ years (6/1/69)	16.72	41.79	83.58	167.16	835.80	1,671.60	3.87	5.00
Redemption values and investment yields to second extended maturity on basis of June 1, 1969, revision								
5½ to 6 years (12/1/69)	17.06	42.66	85.32	170.64	853.20	1,706.40	3.89	5.09
6 to 6½ years (6/1/70)	17.44	43.59	87.18	174.36	871.80	1,743.60	3.93	5.18
6½ to 7 years (12/1/70)	17.83	44.57	89.14	178.28	891.40	1,782.80	3.97	5.28
7 to 7½ years (6/1/71)	18.24	45.60	91.20	182.40	912.00	1,824.00	4.02	5.39
7½ to 8 years (12/1/71)	18.68	46.69	93.38	186.76	933.80	1,867.60	4.07	5.51
8 to 8½ years (6/1/72)	19.14	47.84	95.68	191.36	956.80	1,913.60	4.12	5.66
8½ to 9 years (12/1/72)	19.63	49.07	98.14	196.28	981.40	1,962.80	4.18	5.83
9 to 9½ years (6/1/73)	20.15	50.37	100.74	201.48	1,007.40	2,014.80	4.25	6.10
9½ to 10 years (12/1/73)	20.70	51.74	103.48	206.96	1,034.80	2,069.60	4.31	6.76
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (6/1/74)	**21.40**	**53.49**	**106.98**	**213.96**	**1,069.80**	**2,139.60**	**[3] 4.43**	----

[1] Month, day, and year on which issues of June 1, 1944, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on second extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to second extended maturity date is 3.53 percent.

TABLE 11

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1944 THROUGH MAY 1, 1945

Issue price	$7.50	$18.75	$37.50	$75.00	$375.00	$750.00	Approximate investment yield	
Denomination	10.00	25.00	50.00	100.00	500.00	1,000.00		
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — SECOND EXTENDED MATURITY PERIOD						(2) On the redemption value at start of the second extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to second extended maturity [2]
							Percent	Percent
First ½ year [1] (12/1/64)	$13.84	$34.59	$69.18	$138.36	$691.80	$1,383.60	0.00	3.75
½ to 1 year (6/1/65)	14.10	35.24	70.48	140.96	704.80	1,409.60	3.76	3.75
1 to 1½ years (12/1/65)	14.36	35.90	71.80	143.60	718.00	1,436.00	3.75	4.15
1½ to 2 years (6/1/66)	14.63	36.58	73.16	146.32	731.60	1,463.20	3.76	4.17
2 to 2½ years (12/1/66)	14.91	37.28	74.56	149.12	745.60	1,491.20	3.78	4.19
2½ to 3 years (6/1/67)	15.20	38.00	76.00	152.00	760.00	1,520.00	3.80	4.21
3 to 3½ years (12/1/67)	15.50	38.74	77.48	154.96	774.80	1,549.60	3.81	4.24
3½ to 4 years (6/1/68)	15.80	39.50	79.00	158.00	790.00	1,580.00	3.83	4.36
4 to 4½ years (12/1/68)	16.12	40.29	80.58	161.16	805.80	1,611.60	3.85	4.39
4½ to 5 years (6/1/69)	16.44	41.10	82.20	164.40	822.00	1,644.00	3.87	5.00
Redemption values and investment yields to second extended maturity on basis of June 1, 1969, revision								
5 to 5½ years (12/1/69)	16.78	41.96	83.92	167.84	839.20	1,678.40	3.90	5.08
5½ to 6 years (6/1/70)	17.14	42.85	85.70	171.40	857.00	1,714.00	3.93	5.18
6 to 6½ years (12/1/70)	17.52	43.81	87.62	175.24	876.20	1,752.40	3.98	5.26
6½ to 7 years (6/1/71)	17.92	44.81	89.62	179.24	896.20	1,792.40	4.02	5.36
7 to 7½ years (12/1/71)	18.35	45.87	91.74	183.48	917.40	1,834.80	4.07	5.47
7½ to 8 years (6/1/72)	18.80	47.00	94.00	188.00	940.00	1,880.00	4.13	5.58
8 to 8½ years (12/1/72)	19.27	48.17	96.34	192.68	963.40	1,926.80	4.18	5.73
8½ to 9 years (6/1/73)	19.77	49.43	98.86	197.72	988.60	1,977.20	4.24	5.89
9 to 9½ years (12/1/73)	20.29	50.73	101.46	202.92	1,014.60	2,029.20	4.30	6.21
9½ to 10 years (6/1/74)	20.85	52.12	104.24	208.48	1,042.40	2,084.80	4.36	6.95
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (12/1/74)	21.57	53.93	107.86	215.72	1,078.60	2,157.20	[3] 4.49	----

[1] Month, day, and year on which issues of Dec. 1, 1944, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on second extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to second extended maturity date is 3.55 percent.

TABLE 12

BONDS BEARING ISSUES DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1945

Issue price / Denomination	$7.50 / 10.00	$18.75 / 25.00	$37.50 / 50.00	$75.00 / 100.00	$150.00 / 200.00	$375.00 / 500.00	$750.00 / 1,000.00	Approximate investment yield	
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — SECOND EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the second extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to second extended maturity [2]
								Percent	*Percent*
First ½ year [1] (6/1/65)	$13.87	$34.68	$69.36	$138.72	$277.44	$693.60	$1,387.20	0.00	3.75
½ to 1 year (12/1/65)	14.13	35.33	70.66	141.32	282.64	706.60	1,413.20	3.75	4.15
1 to 1½ years (6/1/66)	14.40	36.00	72.00	144.00	288.00	720.00	1,440.00	3.77	4.17
1½ to 2 years (12/1/66)	14.68	36.69	73.38	146.76	293.52	733.80	1,467.60	3.79	4.19
2 to 2½ years (6/1/67)	14.96	37.40	74.80	149.60	299.20	748.00	1,496.00	3.81	4.21
2½ to 3 years (12/1/67)	15.25	38.12	76.24	152.48	304.96	762.40	1,524.80	3.82	4.23
3 to 3½ years (6/1/68)	15.55	38.87	77.74	155.48	310.96	777.40	1,554.80	3.84	4.35
3½ to 4 years (12/1/68)	15.86	39.65	79.30	158.60	317.20	793.00	1,586.00	3.86	4.38
4 to 4½ years (6/1/69)	16.18	40.45	80.90	161.80	323.60	809.00	1,618.00	3.88	5.00
Redemption values and investment yields to second extended maturity on basis of June 1, 1969, revision									
4½ to 5 years (12/1/69)	16.51	41.28	82.56	165.12	330.24	825.60	1,651.20	3.91	5.08
5 to 5½ years (6/1/70)	16.86	42.16	84.32	168.64	337.28	843.20	1,686.40	3.94	5.16
5½ to 6 years (12/1/70)	17.23	43.08	86.16	172.32	344.64	861.60	1,723.20	3.98	5.25
6 to 6½ years (6/1/71)	17.62	44.06	88.12	176.24	352.48	881.20	1,762.40	4.03	5.34
6½ to 7 years (12/1/71)	18.04	45.09	90.18	180.36	360.72	901.80	1,803.60	4.08	5.44
7 to 7½ years (6/1/72)	18.47	46.18	92.36	184.72	369.44	923.60	1,847.20	4.13	5.54
7½ to 8 years (12/1/72)	18.93	47.33	94.66	189.32	378.64	946.60	1,893.20	4.19	5.65
8 to 8½ years (6/1/73)	19.41	48.53	97.06	194.12	388.24	970.60	1,941.20	4.24	5.79
8½ to 9 years (12/1/73)	19.92	49.80	99.60	199.20	398.40	996.00	1,992.00	4.30	5.98
9 to 9½ years (6/1/74)	20.46	51.14	102.28	204.56	409.12	1,022.80	2,045.60	4.36	6.28
9½ to 10 years (12/1/74)	21.02	52.55	105.10	210.20	420.40	1,051.00	2,102.00	4.42	7.04
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (6/1/75)	21.76	54.40	108.80	217.60	435.20	1,088.00	2,176.00	[3] 4.55	----------

[1] Month, day, and year on which issues of June 1, 1945, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on second extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to second extended maturity date is 3.58 percent.

TABLE 13

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1945, THROUGH MAY 1, 1946

Issue price	$7.50	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	Approximate investment yield	
Denomination	10.00	25.00	50.00	100.00	200.00	500.00	1,000.00		
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — SECOND EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the second extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to second extended maturity [2]
								Percent	*Percent*
First ½ year[1] (12/1/65)	$13.91	$34.77	$69.54	$139.08	$278.16	$695.40	$1,390.80	0.00	4.15
½ to 1 year (6/1/66)	14.20	35.49	70.98	141.96	283.92	709.80	1,419.60	4.14	4.15
1 to 1½ years (12/1/66)	14.49	36.23	72.46	144.92	289.84	724.60	1,449.20	4.16	4.15
1½ to 2 years (6/1/67)	14.79	36.98	73.96	147.92	295.84	739.60	1,479.20	4.15	4.15
2 to 2½ years (12/1/67)	15.10	37.75	75.50	151.00	302.00	755.00	1,510.00	4.15	4.15
2½ to 3 years (6/1/68)	15.41	38.53	77.06	154.12	308.24	770.60	1,541.20	4.15	4.25
3 to 3½ years (12/1/68)	15.73	39.33	78.66	157.32	314.64	786.60	1,573.20	4.15	4.26
3½ to 4 years (6/1/69)	16.06	40.15	80.30	160.60	321.20	803.00	1,606.00	4.15	5.00
Redemption values and investment yields to second extended maturity on basis of June 1, 1969, revision									
4 to 4½ years (12/1/69)	16.40	40.99	81.98	163.96	327.92	819.80	1,639.60	4.16	5.07
4½ to 5 years (6/1/70)	16.75	41.88	83.76	167.52	335.04	837.60	1,675.20	4.18	5.14
5 to 5½ years (12/1/70)	17.12	42.81	85.62	171.24	342.48	856.20	1,712.40	4.20	5.20
5½ to 6 years (6/1/71)	17.51	43.77	87.54	175.08	350.16	875.40	1,750.80	4.23	5.28
6 to 6½ years (12/1/71)	17.92	44.80	89.60	179.20	358.40	896.00	1,792.00	4.27	5.36
6½ to 7 years (6/1/72)	18.35	45.87	91.74	183.48	366.96	917.40	1,834.80	4.31	5.44
7 to 7½ years (12/1/72)	18.79	46.98	93.96	187.92	375.84	939.60	1,879.20	4.35	5.54
7½ to 8 years (6/1/73)	19.26	48.16	96.32	192.64	385.28	963.20	1,926.40	4.39	5.64
8 to 8½ years (12/1/73)	19.76	49.40	98.80	197.60	395.20	988.00	1,976.00	4.44	5.77
8½ to 9 years (6/1/74)	20.27	50.68	101.36	202.72	405.44	1,013.60	2,027.20	4.48	5.96
9 to 9½ years (12/1/74)	20.81	52.03	104.06	208.12	416.24	1,040.60	2,081.20	4.53	6.28
9½ to 10 years (6/1/75)	21.38	53.46	106.92	213.84	427.68	1,069.20	2,138.40	4.58	7.07
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (12/1/75)	**22.14**	**55.35**	**110.70**	**221.40**	**442.80**	**1,107.00**	**2,214.00**	**4.70** [3]	------------

[1] Month, day, and year on which issues of Dec. 1, 1945, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on second extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to second extended maturity date is 3.64 percent.

TABLE 14

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1946

Issue price	$7.50	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	Approximate investment yield	
Denomination	10.00	25.00	50.00	100.00	200.00	500.00	1,000.00		
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — SECOND EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the second extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to second extended maturity [2]
								Percent	*Percent*
First ½ year [1] (6/1/66)	$13.97	$34.92	$69.84	$139.68	$279.36	$698.40	$1,396.80	0.00	4.15
½ to 1 year (12/1/66)	14.26	35.64	71.28	142.56	285.12	712.80	1,425.60	4.12	4.15
1 to 1½ years (6/1/67)	14.55	36.38	72.76	145.52	291.04	727.60	1,455.20	4.14	4.15
1½ to 2 years (12/1/67)	14.86	37.14	74.28	148.56	297.12	742.80	1,485.60	4.15	4.15
2 to 2½ years (6/1/68)	15.16	37.91	75.82	151.64	303.28	758.20	1,516.40	4.15	4.25
2½ to 3 years (12/1/68)	15.48	38.70	77.40	154.80	309.60	774.00	1,548.00	4.15	4.26
3 to 3½ years (6/1/69)	15.80	39.50	79.00	158.00	316.00	790.00	1,580.00	4.15	5.00
Redemption values and investment yields to second extended maturity on basis of June 1, 1969, revision									
3½ to 4 years (12/1/69)	16.13	40.33	80.66	161.32	322.64	806.60	1,613.20	4.16	5.06
4 to 4½ years (6/1/70)	16.48	41.20	82.40	164.80	329.60	824.00	1,648.00	4.18	5.12
4½ to 5 years (12/1/70)	16.84	42.11	84.22	168.44	336.88	842.20	1,684.40	4.20	5.19
5 to 5½ years (6/1/71)	17.22	43.06	86.12	172.24	344.48	861.20	1,722.40	4.23	5.26
5½ to 6 years (12/1/71)	17.62	44.05	88.10	176.20	352.40	881.00	1,762.00	4.27	5.33
6 to 6½ years (6/1/72)	18.04	45.09	90.18	180.36	360.72	901.80	1,803.60	4.31	5.40
6½ to 7 years (12/1/72)	18.48	46.19	92.38	184.76	369.52	923.80	1,847.60	4.35	5.48
7 to 7½ years (6/1/73)	18.93	47.32	94.64	189.28	378.56	946.40	1,892.80	4.39	5.58
7½ to 8 years (12/1/73)	19.41	48.52	97.04	194.08	388.16	970.40	1,940.80	4.43	5.68
8 to 8½ years (6/1/74)	19.90	49.76	99.52	199.04	398.08	995.20	1,990.40	4.48	5.82
8½ to 9 years (12/1/74)	20.43	51.07	102.14	204.28	408.56	1,021.40	2,042.80	4.52	6.01
9 to 9½ years (6/1/75)	20.98	52.44	104.88	209.76	419.52	1,048.80	2,097.60	4.57	6.33
9½ to 10 years (12/1/75)	21.55	53.87	107.74	215.48	430.96	1,077.40	2,154.80	4.62	7.20
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (6/1/76)	22.32	55.81	111.62	223.24	446.48	1,116.20	2,232.40	[3] 4.74	

[1] Month, day, and year on which issues of June 1, 1946, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on second extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to second extended maturity date is 3.67 percent.

TABLE 15

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1946, THROUGH MAY 1, 1947

Issue price	$7.50	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	Approximate investment yield	
Denomination	10.00	25.00	50.00	100.00	200.00	500.00	1,000.00		
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) SECOND EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the second extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to second extended maturity [2]
								Percent	*Percent*
First ½ year ....[1](12/1/66)	$14.03	$35.08	$70.16	$140.32	$280.64	$701.60	$1,403.20	0.00	4.15
½ to 1 year ....(6/1/67)	14.32	35.81	71.62	143.24	286.48	716.20	1,432.40	4.16	4.15
1 to 1½ years ....(12/1/67)	14.62	36.55	73.10	146.20	292.40	731.00	1,462.00	4.15	4.15
1½ to 2 years .....(6/1/68)	14.92	37.31	74.62	149.24	298.48	746.20	1,492.40	4.15	4.25
2 to 2½ years ....(12/1/68)	15.23	38.08	76.16	152.32	304.64	761.60	1,523.20	4.15	4.26
2½ to 3 years .....(6/1/69)	15.55	38.87	77.74	155.48	310.96	777.40	1,554.80	4.15	5.00
Redemption values and investment yields to second extended maturity on basis of June 1, 1969, revision									
3 to 3½ years ....(12/1/69)	15.88	39.69	79.38	158.76	317.52	793.80	1,587.60	4.16	5.06
3½ to 4 years .....(6/1/70)	16.22	40.54	81.08	162.16	324.32	810.80	1,621.60	4.18	5.12
4 to 4½ years ....(12/1/70)	16.57	41.43	82.86	165.72	331.44	828.60	1,657.20	4.20	5.18
4½ to 5 years .....(6/1/71)	16.94	42.36	84.72	169.44	338.88	847.20	1,694.40	4.23	5.24
5 to 5½ years ....(12/1/71)	17.34	43.34	86.68	173.36	346.72	866.80	1,733.60	4.27	5.30
5½ to 6 years .....(6/1/72)	17.74	44.35	88.70	177.40	354.80	887.00	1,774.00	4.31	5.37
6 to 6½ years ....(12/1/72)	18.16	45.41	90.82	181.64	363.28	908.20	1,816.40	4.35	5.45
6½ to 7 years .....(6/1/73)	18.61	46.53	93.06	186.12	372.24	930.60	1,861.20	4.39	5.52
7 to 7½ years ....(12/1/73)	19.07	47.68	95.36	190.72	381.44	953.60	1,907.20	4.43	5.62
7½ to 8 years .....(6/1/74)	19.56	48.90	97.80	195.60	391.20	978.00	1,956.00	4.48	5.72
8 to 8½ years ....(12/1/74)	20.06	50.16	100.32	200.64	401.28	1,003.20	2,006.40	4.52	5.86
8½ to 9 years .....(6/1/75)	20.59	51.48	102.96	205.92	411.84	1,029.60	2,059.20	4.56	6.06
9 to 9½ years ....(12/1/75)	21.14	52.86	105.72	211.44	422.88	1,057.20	2,114.40	4.61	6.41
9½ to 10 years ....(6/1/76)	21.72	54.31	108.62	217.24	434.48	1,086.20	2,172.40	4.65	7.33
SECOND EXTENDED MATURITY VALUE (30 years from issue date) .....(12/1/76)	**22.52**	**56.30**	**112.60**	**225.20**	**450.40**	**1,126.00**	**2,252.00**	[3] **4.79**	....

[1] Month, day, and year on which issues of Dec. 1, 1946, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on second extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to second extended maturity date is 3.70 percent.

TABLE 16

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1947

Issue price / Denomination	$7.50 / 10.00	$18.75 / 25.00	$37.50 / 50.00	$75.00 / 100.00	$150.00 / 200.00	$375.00 / 500.00	$750.00 / 1,000.00	Approximate investment yield	
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — SECOND EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the second extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to second extended maturity [2]
								Percent	*Percent*
First ½ year[1] (6/1/67)	$14.09	$35.23	$70.46	$140.92	$281.84	$704.60	$1,409.20	0.00	4.15
½ to 1 year (12/1/67)	14.38	35.96	71.92	143.84	287.68	719.20	1,438.40	4.14	4.15
1 to 1½ years (6/1/68)	14.68	36.71	73.42	146.84	293.68	734.20	1,468.40	4.16	4.25
1½ to 2 years (12/1/68)	14.99	37.47	74.94	149.88	299.76	749.40	1,498.80	4.15	4.26
2 to 2½ years (6/1/69)	15.30	38.25	76.50	153.00	306.00	765.00	1,530.00	4.15	5.00
Redemption values and investment yields to second extended maturity on basis of June 1, 1969, revision									
2½ to 3 years (12/1/69)	15.62	39.05	78.10	156.20	312.40	781.00	1,562.00	4.16	5.05
3 to 3½ years (6/1/70)	15.96	39.89	79.78	159.56	319.12	797.80	1,595.60	4.18	5.11
3½ to 4 years (12/1/70)	16.30	40.76	81.52	163.04	326.08	815.20	1,630.40	4.21	5.17
4 to 4½ years (6/1/71)	16.67	41.67	83.34	166.68	333.36	833.40	1,666.80	4.24	5.22
4½ to 5 years (12/1/71)	17.05	42.62	85.24	170.48	340.96	852.40	1,704.80	4.28	5.28
5 to 5½ years (6/1/72)	17.44	43.61	87.22	174.44	348.88	872.20	1,744.40	4.31	5.35
5½ to 6 years (12/1/72)	17.86	44.65	89.30	178.60	357.20	893.00	1,786.00	4.36	5.41
6 to 6½ years (6/1/73)	18.29	45.73	91.46	182.92	365.84	914.60	1,829.20	4.40	5.48
6½ to 7 years (12/1/73)	18.74	46.86	93.72	187.44	374.88	937.20	1,874.40	4.44	5.56
7 to 7½ years (6/1/74)	19.22	48.04	96.08	192.16	384.32	960.80	1,921.60	4.48	5.65
7½ to 8 years (12/1/74)	19.70	49.26	98.52	197.04	394.08	985.20	1,970.40	4.52	5.76
8 to 8½ years (6/1/75)	20.22	50.55	101.10	202.20	404.40	1,011.00	2,022.00	4.56	5.90
8½ to 9 years (12/1/75)	20.75	51.88	103.76	207.52	415.04	1,037.60	2,075.20	4.61	6.11
9 to 9½ years (6/1/76)	21.32	53.29	106.58	213.16	426.32	1,065.80	2,131.60	4.65	6.45
9½ to 10 years (12/1/76)	21.90	54.75	109.50	219.00	438.00	1,095.00	2,190.00	4.70	7.42
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (6/1/77)	22.71	56.78	113.56	227.12	454.24	1,135.60	2,271.20	[3] 4.83	------------

[1] Month, day, and year on which issues of June 1, 1947, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on second extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to second extended maturity date is 3.73 percent.

TABLE 17

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1947, THROUGH MAY 1, 1948

Issue price / Denomination	$7.50 / 10.00	$18.75 / 25.00	$37.50 / 50.00	$75.00 / 100.00	$150.00 / 200.00	$375.00 / 500.00	$750.00 / 1,000.00	Approximate investment yield	
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — SECOND EXTENDED MATURITY PERIOD							(2) on the redemption value at start of the second extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to second extended maturity [2]
								Percent	*Percent*
First ½ year [1](12/1/67)	$14.16	$35.39	$70.78	$141.56	$283.12	$707.80	$1,415.60	0.00	4.15
½ to 1 year (6/1/68)	14.45	36.12	72.24	144.48	288.96	722.40	1,444.80	4.13	4.25
1 to 1½ years (12/1/68)	14.75	36.87	73.74	147.48	294.96	737.40	1,474.80	4.14	4.26
1½ to 2 years (6/1/69)	15.06	37.64	75.28	150.56	301.12	752.80	1,505.60	4.15	5.00
Redemption values and investment yields to second extended maturity on basis of June 1, 1969, revision									
2 to 2½ years (12/1/69)	15.37	38.43	76.86	153.72	307.44	768.60	1,537.20	4.16	5.05
2½ to 3 years (6/1/70)	15.70	39.25	78.50	157.00	314.00	785.00	1,570.00	4.18	5.10
3 to 3½ years (12/1/70)	16.04	40.11	80.22	160.44	320.88	802.20	1,604.40	4.22	5.15
3½ to 4 years (6/1/71)	16.40	41.00	82.00	164.00	328.00	820.00	1,640.00	4.25	5.21
4 to 4½ years (12/1/71)	16.77	41.93	83.86	167.72	335.44	838.60	1,677.20	4.28	5.26
4½ to 5 years (6/1/72)	17.16	42.91	85.82	171.64	343.28	858.20	1,716.40	4.33	5.32
5 to 5½ years (12/1/72)	17.56	43.91	87.82	175.64	351.28	878.20	1,756.40	4.36	5.38
5½ to 6 years (6/1/73)	17.99	44.97	89.94	179.88	359.76	899.40	1,798.80	4.40	5.45
6 to 6½ years (12/1/73)	18.43	46.07	92.14	184.28	368.56	921.40	1,842.80	4.44	5.52
6½ to 7 years (6/1/74)	18.88	47.21	94.42	188.84	377.68	944.20	1,888.40	4.48	5.60
7 to 7½ years (12/1/74)	19.36	48.41	96.82	193.64	387.28	968.20	1,936.40	4.53	5.68
7½ to 8 years (6/1/75)	19.86	49.65	99.30	198.60	397.20	993.00	1,986.00	4.57	5.79
8 to 8½ years (12/1/75)	20.38	50.96	101.92	203.84	407.68	1,019.20	2,038.40	4.61	5.92
8½ to 9 years (6/1/76)	20.92	52.31	104.62	209.24	418.48	1,046.20	2,092.40	4.65	6.13
9 to 9½ years (12/1/76)	21.49	53.72	107.44	214.88	429.76	1,074.40	2,148.80	4.69	6.50
9½ to 10 years (6/1/77)	22.08	55.20	110.40	220.80	441.60	1,104.00	2,208.00	4.73	7.50
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (12/1/77)	**22.91**	**57.27**	**114.54**	**229.08**	**458.16**	**1,145.40**	**2,290.80**	[3] 4.87	

[1] Month, day, and year on which issues of Dec. 1, 1947, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on second extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to second extended maturity date is 3.76 percent.

TABLE 18

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1948

Issue price	**$7.50**	**$18.75**	**$37.50**	**$75.00**	**$150.00**	**$375.00**	**$750.00**	Approximate investment yield	
Denomination	**10.00**	**25.00**	**50.00**	**100.00**	**200.00**	**500.00**	**1,000.00**		
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — SECOND EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the second extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to second extended maturity [2]
								Percent	*Percent*
First ½ year ....[1](6/1/68)	$14.22	$35.55	$71.10	$142.20	$284.40	$711.00	$1,422.00	0.00	4.25
½ to 1 year ....(12/1/68)	14.52	36.29	72.58	145.16	290.32	725.80	1,451.60	4.16	4.25
1 to 1½ years ....(6/1/69)	14.82	37.04	74.08	148.16	296.32	740.80	1,481.60	4.15	5.00
Redemption values and investment yields to second extended maturity on basis of June 1, 1969, revision									
1½ to 2 years ....(12/1/69)	15.13	37.82	75.64	151.28	302.56	756.40	1,512.80	4.17	5.05
2 to 2½ years ....(6/1/70)	15.45	38.62	77.24	154.48	308.96	772.40	1,544.80	4.18	5.10
2½ to 3 years ....(12/1/70)	15.78	39.46	78.92	157.84	315.68	789.20	1,578.40	4.22	5.15
3 to 3½ years ....(6/1/71)	16.14	40.34	80.68	161.36	322.72	806.80	1,613.60	4.26	5.20
3½ to 4 years ....(12/1/71)	16.50	41.26	82.52	165.04	330.08	825.20	1,650.40	4.30	5.25
4 to 4½ years ....(6/1/72)	16.88	42.20	84.40	168.80	337.60	844.00	1,688.00	4.33	5.30
4½ to 5 years ....(12/1/72)	17.28	43.19	86.38	172.76	345.52	863.80	1,727.60	4.37	5.36
5 to 5½ years ....(6/1/73)	17.69	44.22	88.44	176.88	353.76	884.40	1,768.80	4.41	5.42
5½ to 6 years ....(12/1/73)	18.12	45.29	90.58	181.16	362.32	905.80	1,811.60	4.45	5.48
6 to 6½ years ....(6/1/74)	18.56	46.41	92.82	185.64	371.28	928.20	1,856.40	4.49	5.55
6½ to 7 years ....(12/1/74)	19.03	47.57	95.14	190.28	380.56	951.40	1,902.80	4.53	5.63
7 to 7½ years ....(6/1/75)	19.51	48.78	97.56	195.12	390.24	975.60	1,951.20	4.57	5.72
7½ to 8 years ....(12/1/75)	20.02	50.05	100.10	200.20	400.40	1,001.00	2,002.00	4.61	5.82
8 to 8½ years ....(6/1/76)	20.54	51.36	102.72	205.44	410.88	1,027.20	2,054.40	4.65	5.97
8½ to 9 years ....(12/1/76)	21.09	52.73	105.46	210.92	421.84	1,054.60	2,109.20	4.69	6.18
9 to 9½ years ....(6/1/77)	21.67	54.17	108.34	216.68	433.36	1,083.40	2,166.80	4.74	6.54
9½ to 10 years ....(12/1/77)	22.26	55.66	111.32	222.64	445.28	1,113.20	2,226.40	4.78	7.58
SECOND EXTENDED MATURITY VALUE (30 years from issue date) ....(6/1/78)	**23.11**	**57.77**	**115.54**	**231.08**	**462.16**	**1,155.40**	**2,310.80**	[3] **4.91**	....

[1] Month, day, and year on which issues of June 1, 1948, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on second extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to second extended maturity date is 3.79 percent.

TABLE 19

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1948, THROUGH MAY 1, 1949

Issue price / Denomination	$7.50 / 10.00	$18.75 / 25.00	$37.50 / 50.00	$75.00 / 100.00	$150.00 / 200.00	$375.00 / 500.00	$750.00 / 1,000.00	Approximate investment yield	
Period after first extended maturity (beginning 20 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — SECOND EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the second extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to second extended maturity [2]
								Percent	*Percent*
First ½ year [1] (12/1/68)	$14.29	$35.72	$71.44	$142.88	$285.76	$714.40	$1,428.80	0.00	4.25
½ to 1 year (6/1/69)	14.58	36.46	72.92	145.84	291.68	729.20	1,458.40	4.14	5.00
Redemption values and investment yields to second extended maturity on basis of June 1, 1969, revision									
1 to 1½ years (12/1/69)	14.89	37.23	74.46	148.92	297.84	744.60	1,489.20	4.18	5.04
1½ to 2 years (6/1/70)	15.21	38.02	76.04	152.08	304.16	760.40	1,520.80	4.20	5.09
2 to 2½ years (12/1/70)	15.54	38.85	77.70	155.40	310.80	777.00	1,554.00	4.24	5.14
2½ to 3 years (6/1/71)	15.88	39.70	79.40	158.80	317.60	794.00	1,588.00	4.27	5.19
3 to 3½ years (12/1/71)	16.24	40.59	81.18	162.36	324.72	811.80	1,623.60	4.31	5.24
3½ to 4 years (6/1/72)	16.61	41.53	83.06	166.12	332.24	830.60	1,661.20	4.35	5.28
4 to 4½ years (12/1/72)	17.00	42.50	85.00	170.00	340.00	850.00	1,700.00	4.39	5.34
4½ to 5 years (6/1/73)	17.40	43.50	87.00	174.00	348.00	870.00	1,740.00	4.43	5.39
5 to 5½ years (12/1/73)	17.82	44.55	89.10	178.20	356.40	891.00	1,782.00	4.47	5.45
5½ to 6 years (6/1/74)	18.26	45.64	91.28	182.56	365.12	912.80	1,825.60	4.51	5.51
6 to 6½ years (12/1/74)	18.71	46.77	93.54	187.08	374.16	935.40	1,870.80	4.54	5.58
6½ to 7 years (6/1/75)	19.18	47.96	95.92	191.84	383.68	959.20	1,918.40	4.58	5.65
7 to 7½ years (12/1/75)	19.68	49.19	98.38	196.76	393.52	983.80	1,967.60	4.62	5.74
7½ to 8 years (6/1/76)	20.19	50.47	100.94	201.88	403.76	1,009.40	2,018.80	4.66	5.85
8 to 8½ years (12/1/76)	20.72	51.81	103.62	207.24	414.48	1,036.20	2,072.40	4.70	5.98
8½ to 9 years (6/1/77)	21.28	53.20	106.40	212.80	425.60	1,064.00	2,128.00	4.74	6.19
9 to 9½ years (12/1/77)	21.86	54.65	109.30	218.60	437.20	1,093.00	2,186.00	4.78	6.55
9½ to 10 years (6/1/78)	22.46	56.15	112.30	224.60	449.20	1,123.00	2,246.00	4.82	7.62
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (12/1/78)	**23.32**	**58.29**	**116.58**	**233.16**	**466.32**	**1,165.80**	**2,331.60**	**[3] 4.96**	

[1] Month, day, and year on which issues of Dec. 1, 1948, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on second extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to second extended maturity date is 3.82 percent.

TABLE 20

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1949

Issue price / Denomination	$7.50 / 10.00	$18.75 / 25.00	$37.50 / 50.00	$75.00 / 100.00	$150.00 / 200.00	$375.00 / 500.00	$750.00 / 1,000.00	Approximate investment yield: (2) On the redemption value at start of each extended maturity period to the beginning of each half-year period thereafter	Approximate investment yield: (3) On current redemption value from beginning of each half-year period (a) to first extended maturity [2]
Period after original maturity (beginning 10 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — FIRST EXTENDED MATURITY PERIOD								
								Percent	*Percent*
First ½ year ---- [1] (6/1/59)	$10.00	$25.00	$50.00	$100.00	$200.00	$500.00	$1,000.00	0.00	3.75
½ to 1 year ------ (12/1/59)	10.18	25.44	50.88	101.76	203.52	508.80	1,017.60	3.52	3.76
1 to 1½ years ------ (6/1/60)	10.36	25.89	51.78	103.56	207.12	517.80	1,035.60	3.53	3.77
1½ to 2 years ------ (12/1/60)	10.54	26.35	52.70	105.40	210.80	527.00	1,054.00	3.54	3.79
2 to 2½ years ------ (6/1/61)	10.73	26.83	53.66	107.32	214.64	536.60	1,073.20	3.56	3.80
2½ to 3 years ----- (12/1/61)	10.92	27.31	54.62	109.24	218.48	546.20	1,092.40	3.57	3.81
3 to 3½ years ------ (6/1/62)	11.12	27.81	55.62	111.24	222.48	556.20	1,112.40	3.58	3.82
3½ to 4 years ----- (12/1/62)	11.33	28.32	56.64	113.28	226.56	566.40	1,132.80	3.59	3.83
4 to 4½ years ----- (6/1/63)	11.54	28.84	57.68	115.36	230.72	576.80	1,153.60	3.60	3.85
4½ to 5 years ----- (12/1/63)	11.75	29.38	58.76	117.52	235.04	587.60	1,175.20	3.62	3.86
5 to 5½ years ------ (6/1/64)	11.97	29.93	59.86	119.72	239.44	598.60	1,197.20	3.63	3.87
5½ to 6 years ----- (12/1/64)	12.20	30.49	60.98	121.96	243.92	609.80	1,219.60	3.64	3.88
6 to 6½ years ------ (6/1/65)	12.43	31.07	62.14	124.28	248.56	621.40	1,242.80	3.66	3.89
6½ to 7 years ----- (12/1/65)	12.66	31.66	63.32	126.64	253.28	633.20	1,266.40	3.67	4.31
7 to 7½ years ------ (6/1/66)	12.91	32.27	64.54	129.08	258.16	645.40	1,290.80	3.68	4.39
7½ to 8 years ----- (12/1/66)	13.17	32.93	65.86	131.72	263.44	658.60	1,317.20	3.71	4.45
8 to 8½ years ------ (6/1/67)	13.45	33.62	67.24	134.48	268.96	672.40	1,344.80	3.74	4.51
8½ to 9 years ----- (12/1/67)	13.74	34.34	68.68	137.36	274.72	686.80	1,373.60	3.77	4.59
9 to 9½ years ----- (6/1/68)	14.04	35.10	70.20	140.40	280.80	702.00	1,404.00	3.81	4.79
9½ to 10 years --- (12/1/68)	14.36	35.91	71.82	143.64	287.28	718.20	1,436.40	3.85	4.96
EXTENDED MATURITY VALUE (20 years from issue date) - (6/1/69)	**14.72**	**36.80**	**73.60**	**147.20**	**294.40**	**736.00**	**1,472.00**	**[3] 3.90**	------------
Period after first extended maturity (beginning 20 years after issue date)	SECOND EXTENDED MATURITY PERIOD								(b) to second extended maturity [2]
First ½ year ------ (6/1/69)	14.72	36.80	73.60	147.20	294.40	736.00	1,472.00	0.00	5.00
Redemption values and investment yields to second extended maturity on basis of June 1, 1969, revision									
½ to 1 year ------ (12/1/69)	15.09	37.72	75.44	150.88	301.76	754.40	1,508.80	5.00	5.00
1 to 1½ years ----- (6/1/70)	15.46	38.66	77.32	154.64	309.28	773.20	1,546.40	4.99	5.00
1½ to 2 years ---- (12/1/70)	15.85	39.63	79.26	158.52	317.04	792.60	1,585.20	5.00	5.00
2 to 2½ years ----- (6/1/71)	16.25	40.62	81.24	162.48	324.96	812.40	1,624.80	5.00	5.00
2½ to 3 years ---- (12/1/71)	16.66	41.64	83.28	166.56	333.12	832.80	1,665.60	5.00	5.00
3 to 3½ years ----- (6/1/72)	17.07	42.68	85.36	170.72	341.44	853.60	1,707.20	5.00	5.00
3½ to 4 years ---- (12/1/72)	17.50	43.74	87.48	174.96	349.92	874.80	1,749.60	5.00	5.00
4 to 4½ years ----- (6/1/73)	17.94	44.84	89.68	179.36	358.72	896.80	1,793.60	5.00	5.00
4½ to 5 years ---- (12/1/73)	18.38	45.96	91.92	183.84	367.68	919.20	1,838.40	5.00	5.00
5 to 5½ years ----- (6/1/74)	18.84	47.11	94.22	188.44	376.88	942.20	1,884.40	5.00	5.00
5½ to 6 years ---- (12/1/74)	19.31	48.28	96.56	193.12	386.24	965.60	1,931.20	5.00	5.00
6 to 6½ years ----- (6/1/75)	19.80	49.49	98.98	197.96	395.92	989.80	1,979.60	5.00	5.00
6½ to 7 years ---- (12/1/75)	20.29	50.73	101.46	202.92	405.84	1,014.60	2,029.20	5.00	5.00
7 to 7½ years ----- (6/1/76)	20.80	52.00	104.00	208.00	416.00	1,040.00	2,080.00	5.00	5.00
7½ to 8 years ---- (12/1/76)	21.32	53.30	106.60	213.20	426.40	1,066.00	2,132.00	5.00	5.00
8 to 8½ years ----- (6/1/77)	21.85	54.63	109.26	218.52	437.04	1,092.60	2,185.20	5.00	5.00
8½ to 9 years ---- (12/1/77)	22.40	55.99	111.98	223.96	447.92	1,119.80	2,239.60	5.00	5.01
9 to 9½ years ----- (6/1/78)	22.96	57.39	114.78	229.56	459.12	1,147.80	2,295.60	5.00	5.01
9½ to 10 years --- (12/1/78)	23.53	58.83	117.66	235.32	470.64	1,176.60	2,353.20	5.00	5.00
SECOND EXTENDED MATURITY VALUE (30 years from issue date) ----------- (6/1/79)	**24.12**	**60.30**	**120.60**	**241.20**	**482.40**	**1,206.00**	**2,412.00**	**[3] 5.00**	------------

[1] Month, day, and year on which issues of June 1, 1949, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on first extended maturity value (or second extended maturity value) in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to first extended maturity date is 3.40 percent; to second extended maturity date is 3.93 percent.

TABLE 21

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1949, THROUGH MAY 1, 1950

Issue price	$7.50	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	Approximate investment yield	
Denomination	10.00	25.00	50.00	100.00	200.00	500.00	1,000.00		
Period after original maturity (beginning 10 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) FIRST EXTENDED MATURITY PERIOD							(2) On the redemption value at start of each extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period (a) to first extended maturity [2]
								Percent	*Percent*
First ½ year[1] (12/1/59)	$10.03	$25.08	$50.16	$100.32	$200.64	$501.60	$1,003.20	0.00	3.75
½ to 1 year (6/1/60)	10.21	25.52	51.04	102.08	204.16	510.40	1,020.80	3.51	3.76
1 to 1½ years (12/1/60)	10.39	25.97	51.94	103.88	207.76	519.40	1,038.80	3.52	3.77
1½ to 2 years (6/1/61)	10.58	26.44	52.88	105.76	211.52	528.80	1,057.60	3.55	3.78
2 to 2½ years (12/1/61)	10.76	26.91	53.82	107.64	215.28	538.20	1,076.40	3.55	3.80
2½ to 3 years (6/1/62)	10.96	27.40	54.80	109.60	219.20	548.00	1,096.00	3.57	3.81
3 to 3½ years (12/1/62)	11.16	27.90	55.80	111.60	223.20	558.00	1,116.00	3.58	3.82
3½ to 4 years (6/1/63)	11.36	28.41	56.82	113.64	227.28	568.20	1,136.40	3.59	3.83
4 to 4½ years (12/1/63)	11.57	28.93	57.86	115.72	231.44	578.60	1,157.20	3.60	3.85
4½ to 5 years (6/1/64)	11.79	29.47	58.94	117.88	235.76	589.40	1,178.80	3.62	3.86
5 to 5½ years (12/1/64)	12.01	30.02	60.04	120.08	240.16	600.40	1,200.80	3.63	3.87
5½ to 6 years (6/1/65)	12.24	30.59	61.18	122.36	244.72	611.80	1,223.60	3.64	3.88
6 to 6½ years (12/1/65)	12.46	31.16	62.32	124.64	249.28	623.20	1,246.40	3.65	4.30
6½ to 7 years (6/1/66)	12.71	31.77	63.54	127.08	254.16	635.40	1,270.80	3.67	4.35
7 to 7½ years (12/1/66)	12.96	32.40	64.80	129.60	259.20	648.00	1,296.00	3.69	4.42
7½ to 8 years (6/1/67)	13.22	33.06	66.12	132.24	264.48	661.20	1,322.40	3.72	4.49
8 to 8½ years (12/1/67)	13.50	33.76	67.52	135.04	270.08	675.20	1,350.40	3.75	4.55
8½ to 9 years (6/1/68)	13.80	34.50	69.00	138.00	276.00	690.00	1,380.00	3.79	4.72
9 to 9½ years (12/1/68)	14.11	35.27	70.54	141.08	282.16	705.40	1,410.80	3.82	4.85
9½ to 10 years (6/1/69)	14.44	36.10	72.20	144.40	288.80	722.00	1,444.00	3.87	4.99
EXTENDED MATURITY VALUE (20 years from issue date) (12/1/69)	**14.80**	**37.00**	**74.00**	**148.00**	**296.00**	**740.00**	**1,480.00**	[3] **3.93**	
Period after first extended maturity (beginning 20 years after issue date)	SECOND EXTENDED MATURITY PERIOD								(b) to second extended maturity [2]
First ½ year (12/1/69)	14.80	37.00	74.00	148.00	296.00	740.00	1,480.00	0.00	5.00
Redemption values and investment yields to second extended maturity on basis of June 1, 1969, revision									
½ to 1 year (6/1/70)	15.17	37.92	75.84	151.68	303.36	758.40	1,516.80	4.97	5.00
1 to 1½ years (12/1/70)	15.55	38.87	77.74	155.48	310.96	777.40	1,554.80	4.99	5.00
1½ to 2 years (6/1/71)	15.94	39.84	79.68	159.36	318.72	796.80	1,593.60	4.99	5.00
2 to 2½ years (12/1/71)	16.34	40.84	81.68	163.36	326.72	816.80	1,633.60	5.00	5.00
2½ to 3 years (6/1/72)	16.74	41.86	83.72	167.44	334.88	837.20	1,674.40	5.00	5.00
3 to 3½ years (12/1/72)	17.16	42.91	85.82	171.64	343.28	858.20	1,716.40	5.00	5.00
3½ to 4 years (6/1/73)	17.59	43.98	87.96	175.92	351.84	879.60	1,759.20	5.00	5.00
4 to 4½ years (12/1/73)	18.03	45.08	90.16	180.32	360.64	901.60	1,803.20	5.00	5.00
4½ to 5 years (6/1/74)	18.48	46.21	92.42	184.84	369.68	924.20	1,848.40	5.00	5.00
5 to 5½ years (12/1/74)	18.94	47.36	94.72	189.44	378.88	947.20	1,894.40	5.00	5.00
5½ to 6 years (6/1/75)	19.42	48.55	97.10	194.20	388.40	971.00	1,942.00	5.00	5.00
6 to 6½ years (12/1/75)	19.90	49.76	99.52	199.04	398.08	995.20	1,990.40	5.00	5.00
6½ to 7 years (6/1/76)	20.40	51.00	102.00	204.00	408.00	1,020.00	2,040.00	5.00	5.00
7 to 7½ years (12/1/76)	20.91	52.28	104.56	209.12	418.24	1,045.60	2,091.20	5.00	5.00
7½ to 8 years (6/1/77)	21.44	53.59	107.18	214.36	428.72	1,071.80	2,143.60	5.00	5.00
8 to 8½ years (12/1/77)	21.97	54.93	109.86	219.72	439.44	1,098.60	2,197.20	5.00	5.00
8½ to 9 years (6/1/78)	22.52	56.30	112.60	225.20	450.40	1,126.00	2,252.00	5.00	5.00
9 to 9½ years (12/1/78)	23.08	57.71	115.42	230.84	461.68	1,154.20	2,308.40	5.00	5.00
9½ to 10 years (6/1/79)	23.66	59.15	118.30	236.60	473.20	1,183.00	2,366.00	5.00	5.00
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (12/1/79)	**24.25**	**60.63**	**121.26**	**242.52**	**485.04**	**1,212.60**	**2,425.20**	[3] **5.00**	

[1] Month, day, and year on which issues of Dec. 1, 1949, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on first extended maturity value (or second extended maturity value) in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to first extended maturity date is 3.43 percent; to second extended maturity date is 3.95 percent.

TABLE 22

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1950

Issue price	**$18.75**	**$37.50**	**$75.00**	**$150.00**	**$375.00**	**$750.00**	Approximate investment yield	
Denomination	**25.00**	**50.00**	**100.00**	**200.00**	**500.00**	**1,000.00**		
Period after original maturity (beginning 10 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — FIRST EXTENDED MATURITY PERIOD						(2) On the redemption value at start of each extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period (a) to first extended maturity [2]
							Percent	*Percent*
First ½ year [1](6/1/60)	$25.15	$50.30	$100.60	$201.20	$503.00	$1,006.00	0.00	3.75
½ to 1 year (12/1/60)	25.59	51.18	102.36	204.72	511.80	1,023.60	3.50	3.76
1 to 1½ years (6/1/61)	26.05	52.10	104.20	208.40	521.00	1,042.00	3.55	3.77
1½ to 2 years (12/1/61)	26.51	53.02	106.04	212.08	530.20	1,060.40	3.54	3.79
2 to 2½ years (6/1/62)	26.99	53.98	107.96	215.92	539.80	1,079.60	3.56	3.80
2½ to 3 years (12/1/62)	27.48	54.96	109.92	219.84	549.60	1,099.20	3.58	3.81
3 to 3½ years (6/1/63)	27.98	55.96	111.92	223.84	559.60	1,119.20	3.59	3.82
3½ to 4 years (12/1/63)	28.49	56.98	113.96	227.92	569.80	1,139.60	3.59	3.84
4 to 4½ years (6/1/64)	29.01	58.02	116.04	232.08	580.20	1,160.40	3.60	3.85
4½ to 5 years (12/1/64)	29.55	59.10	118.20	236.40	591.00	1,182.00	3.62	3.86
5 to 5½ years (6/1/65)	30.10	60.20	120.40	240.80	602.00	1,204.00	3.63	3.88
5½ to 6 years (12/1/65)	30.67	61.34	122.68	245.36	613.40	1,226.80	3.64	4.29
6 to 6½ years (6/1/66)	31.26	62.52	125.04	250.08	625.20	1,250.40	3.66	4.34
6½ to 7 years (12/1/66)	31.88	63.76	127.52	255.04	637.60	1,275.20	3.68	4.40
7 to 7½ years (6/1/67)	32.53	65.06	130.12	260.24	650.60	1,301.20	3.71	4.45
7½ to 8 years (12/1/67)	33.20	66.40	132.80	265.60	664.00	1,328.00	3.74	4.51
8 to 8½ years (6/1/68)	33.92	67.84	135.68	271.36	678.40	1,356.80	3.77	4.67
8½ to 9 years (12/1/68)	34.67	69.34	138.68	277.36	693.40	1,386.80	3.81	4.75
9 to 9½ years (6/1/69)	35.44	70.88	141.76	283.52	708.80	1,417.60	3.85	4.99
Redemption values and investment yields to first and second extended maturity on basis of June 1, 1969, revision								
½ to 10 years (12/1/69)	36.27	72.54	145.08	290.16	725.40	1,450.80	3.89	5.20
EXTENDED MATURITY VALUE (20 years from issue date) (6/1/70)	**37.23**	**74.46**	**148.92**	**297.84**	**744.60**	**1,489.20**	[3] **3.96**	
Period after first extended maturity (beginning 20 years after issue date)	SECOND EXTENDED MATURITY PERIOD							(b) to second extended maturity [2]
First ½ year (6/1/70)	37.23	74.46	148.92	297.84	744.60	1,489.20	0.00	5.00
½ to 1 year (12/1/70)	38.16	76.32	152.64	305.28	763.20	1,526.40	5.00	5.00
1 to 1½ years (6/1/71)	39.11	78.22	156.44	312.88	782.20	1,564.40	4.99	5.00
1½ to 2 years (12/1/71)	40.09	80.18	160.36	320.72	801.80	1,603.60	5.00	5.00
2 to 2½ years (6/1/72)	41.09	82.18	164.36	328.72	821.80	1,643.60	4.99	5.00
2½ to 3 years (12/1/72)	42.12	84.24	168.48	336.96	842.40	1,684.80	5.00	5.00
3 to 3½ years (6/1/73)	43.17	86.34	172.68	345.36	863.40	1,726.80	5.00	5.00
3½ to 4 years (12/1/73)	44.25	88.50	177.00	354.00	885.00	1,770.00	5.00	5.00
4 to 4½ years (6/1/74)	45.36	90.72	181.44	362.88	907.20	1,814.40	5.00	5.00
4½ to 5 years (12/1/74)	46.50	93.00	186.00	372.00	930.00	1,860.00	5.00	5.00
5 to 5½ years (6/1/75)	47.66	95.32	190.64	381.28	953.20	1,906.40	5.00	5.00
5½ to 6 years (12/1/75)	48.85	97.70	195.40	390.80	977.00	1,954.00	5.00	5.00
6 to 6½ years (6/1/76)	50.07	100.14	200.28	400.56	1,001.40	2,002.80	5.00	5.00
6½ to 7 years (12/1/76)	51.32	102.64	205.28	410.56	1,026.40	2,052.80	5.00	5.00
7 to 7½ years (6/1/77)	52.61	105.22	210.44	420.88	1,052.20	2,104.40	5.00	5.00
7½ to 8 years (12/1/77)	53.92	107.84	215.68	431.36	1,078.40	2,156.80	5.00	5.00
8 to 8½ years (6/1/78)	55.27	110.54	221.08	442.16	1,105.40	2,210.80	5.00	5.00
8½ to 9 years (12/1/78)	56.65	113.30	226.60	453.20	1,133.00	2,266.00	5.00	5.00
9 to 9½ years (6/1/79)	58.07	116.14	232.28	464.56	1,161.40	2,322.80	5.00	5.00
9½ to 10 years (12/1/79)	59.52	119.04	238.08	476.16	1,190.40	2,380.80	5.00	5.01
SECOND EXTENDED MATURITY VALUE (30 years from issue date) (6/1/80)	**61.01**	**122.02**	**244.04**	**488.08**	**1,220.20**	**2,440.40**	[3] **5.00**	

[1] Month, day, and year on which issues of June 1, 1950, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on first extended maturity value (or second extended maturity value) in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to first extended maturity date is 3.46 percent; to second extended maturity pate is 3.97 percent.

397-702 O—71——14

TABLE 23

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1950, THROUGH MAY 1, 1951

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	Approximate investment yield	
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00		
Period after original maturity (beginning 10 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown)						(2) On the redemption value at start of each extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period (a) to first extended maturity [2]
	FIRST EXTENDED MATURITY PERIOD							
							Percent	*Percent*
First ½ year ... [1] (12/1/60)	$25.22	$50.44	$100.88	$201.76	$504.40	$1,008.80	0.00	3.75
½ to 1 year ... (6/1/61)	25.66	51.32	102.64	205.28	513.20	1,026.40	3.49	3.76
1 to 1½ years ... (12/1/61)	26.12	52.24	104.48	208.96	522.40	1,044.80	3.54	3.77
1½ to 2 years ... (6/1/62)	26.58	53.16	106.32	212.64	531.60	1,063.20	3.53	3.79
2 to 2½ years ... (12/1/62)	27.06	54.12	108.24	216.48	541.20	1,082.40	3.55	3.80
2½ to 3 years ... (6/1/63)	27.55	55.10	110.20	220.40	551.00	1,102.00	3.57	3.81
3 to 3½ years ... (12/1/63)	28.05	56.10	112.20	224.40	561.00	1,122.00	3.58	3.83
3½ to 4 years ... (6/1/64)	28.57	57.14	114.28	228.56	571.40	1,142.80	3.60	3.83
4 to 4½ years ... (12/1/64)	29.09	58.18	116.36	232.72	581.80	1,163.60	3.60	3.85
4½ to 5 years ... (6/1/65)	29.63	59.26	118.52	237.04	592.60	1,185.20	3.61	3.86
5 to 5½ years ... (12/1/65)	30.19	60.38	120.76	241.52	603.80	1,207.60	3.63	4.27
5½ to 6 years ... (6/1/66)	30.77	61.54	123.08	246.16	615.40	1,230.80	3.65	4.32
6 to 6½ years ... (12/1/66)	31.37	62.74	125.48	250.96	627.40	1,254.80	3.67	4.38
6½ to 7 years ... (6/1/67)	32.00	64.00	128.00	256.00	640.00	1,280.00	3.70	4.43
7 to 7½ years ... (12/1/67)	32.65	65.30	130.60	261.20	653.00	1,306.00	3.72	4.49
7½ to 8 years ... (6/1/68)	33.35	66.70	133.40	266.80	667.00	1,334.00	3.76	4.64
8 to 8½ years ... (12/1/68)	34.06	68.12	136.24	272.48	681.20	1,362.40	3.79	4.73
8½ to 9 years ... (6/1/69)	34.82	69.64	139.28	278.56	696.40	1,392.80	3.83	5.00
Redemption values and investment yields to first and second extended maturity on basis of June 1, 1969, revision								
9 to 9½ years ... (12/1/69)	35.62	71.24	142.48	284.96	712.40	1,424.80	3.87	5.21
9½ to 10 years ... (6/1/70)	36.47	72.94	145.88	291.76	729.40	1,458.80	3.92	5.65
EXTENDED MATURITY VALUE (20 years from issue date) (12/1/70)	**37.50**	**75.00**	**150.00**	**300.00**	**750.00**	**1,500.00**	**[3] 4.01**	...
Period after first extended maturity (beginning 20 years after issue date)	SECOND EXTENDED MATURITY PERIOD							(b) to second extended maturity [2]
First ½ year ... (12/1/70)	37.50	75.00	150.00	300.00	750.00	1,500.00	0.00	5.00
½ to 1 year ... (6/1/71)	38.43	76.86	153.72	307.44	768.60	1,537.20	4.96	5.00
1 to 1½ years ... (12/1/71)	39.40	78.80	157.60	315.20	788.00	1,576.00	5.00	5.00
1½ to 2 years ... (6/1/72)	40.38	80.76	161.52	323.04	807.60	1,615.20	4.99	5.00
2 to 2½ years ... (12/1/72)	41.39	82.78	165.56	331.12	827.80	1,655.60	5.00	5.00
2½ to 3 years ... (6/1/73)	42.43	84.86	169.72	339.44	848.60	1,697.20	5.00	5.00
3 to 3½ years ... (12/1/73)	43.49	86.98	173.96	347.92	869.80	1,739.60	5.00	5.00
3½ to 4 years ... (6/1/74)	44.58	89.16	178.32	356.64	891.60	1,783.20	5.00	5.00
4 to 4½ years ... (12/1/74)	45.69	91.38	182.76	365.52	913.80	1,827.60	5.00	5.00
4½ to 5 years ... (6/1/75)	46.83	93.66	187.32	374.64	936.60	1,873.20	5.00	5.00
5 to 5½ years ... (12/1/75)	48.00	96.00	192.00	384.00	960.00	1,920.00	5.00	5.00
5½ to 6 years ... (6/1/76)	49.20	98.40	196.80	393.60	984.00	1,968.00	5.00	5.00
6 to 6½ years ... (12/1/76)	50.43	100.86	201.72	403.44	1,008.60	2,017.20	5.00	5.00
6½ to 7 years ... (6/1/77)	51.69	103.38	206.76	413.52	1,033.80	2,067.60	5.00	5.00
7 to 7½ years ... (12/1/77)	52.99	105.98	211.96	423.92	1,059.80	2,119.60	5.00	5.00
7½ to 8 years ... (6/1/78)	54.31	108.62	217.24	434.48	1,086.20	2,172.40	5.00	5.00
8 to 8½ years ... (12/1/78)	55.67	111.34	222.68	445.36	1,113.40	2,226.80	5.00	5.00
8½ to 9 years ... (6/1/79)	57.06	114.12	228.24	456.48	1,141.20	2,282.40	5.00	5.00
9 to 9½ years ... (12/1/79)	58.49	116.98	233.96	467.92	1,169.80	2,339.60	5.00	5.00
9½ to 10 years ... (6/1/80)	59.95	119.90	239.80	479.60	1,199.00	2,398.00	5.00	5.00
SECOND EXTENDED MATURITY VALUE (30 years from issue date) ... (12/1/80)	**61.45**	**122.90**	**245.80**	**491.60**	**1,229.00**	**2,458.00**	**[3] 5.00**	...

[1] Month, day, and year on which issues of Dec. 1, 1950, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on first extended maturity value (or second extended maturity value) in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to first extended maturity date is 3.50 percent; to second extended maturity date is 4.00 percent.

TABLE 24

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1951

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	Approximate investment yield	
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00		
Period after original maturity (beginning 10 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD						(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
							Percent	*Percent*
First ½ year [1] (6/1/61)	$25.30	$50.60	$101.20	$202.40	$506.00	$1,012.00	0.00	3.75
½ to 1 year (12/1/61)	25.75	51.50	103.00	206.00	515.00	1,030.00	3.56	3.76
1 to 1½ years (6/1/62)	26.20	52.40	104.80	209.60	524.00	1,048.00	3.53	3.77
1½ to 2 years (12/1/62)	26.67	53.34	106.68	213.36	533.40	1,066.80	3.55	3.78
2 to 2½ years (6/1/63)	27.15	54.30	108.60	217.20	543.00	1,086.00	3.56	3.80
2½ to 3 years (12/1/63)	27.64	55.28	110.56	221.12	552.80	1,105.60	3.57	3.81
3 to 3½ years (6/1/64)	28.14	56.28	112.56	225.12	562.80	1,125.60	3.58	3.82
3½ to 4 years (12/1/64)	28.66	57.32	114.64	229.28	573.20	1,146.40	3.59	3.83
4 to 4½ years (6/1/65)	29.19	58.38	116.76	233.52	583.80	1,167.60	3.61	3.84
4½ to 5 years (12/1/65)	29.73	59.46	118.92	237.84	594.60	1,189.20	3.62	4.26
5 to 5½ years (6/1/66)	30.29	60.58	121.16	242.32	605.80	1,211.60	3.63	4.31
5½ to 6 years (12/1/66)	30.87	61.74	123.48	246.96	617.40	1,234.80	3.65	4.36
6 to 6½ years (6/1/67)	31.49	62.98	125.96	251.92	629.80	1,259.60	3.68	4.40
6½ to 7 years (12/1/67)	32.13	64.26	128.52	257.04	642.60	1,285.20	3.71	4.45
7 to 7½ years (6/1/68)	32.80	65.60	131.20	262.40	656.00	1,312.00	3.74	4.60
7½ to 8 years (12/1/68)	33.50	67.00	134.00	268.00	670.00	1,340.00	3.78	4.67
8 to 8½ years (6/1/69)	34.23	68.46	136.92	273.84	684.60	1,369.20	3.81	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision								
8½ to 9 years (12/1/69)	35.00	70.00	140.00	280.00	700.00	1,400.00	3.85	5.16
9 to 9½ years (6/1/70)	35.83	71.66	143.32	286.64	716.60	1,433.20	3.90	5.37
9½ to 10 years (12/1/70)	36.72	73.44	146.88	293.76	734.40	1,468.80	3.96	5.77
EXTENDED MATURITY VALUE (20 years from issue date) (6/1/71)	**37.78**	**75.56**	**151.12**	**302.24**	**755.60**	**1,511.20**	[3] **4.05**	

[1] Month, day, and year on which issues of June 1, 1951, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 3.53 percent.

TABLE 25

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1951, THROUGH APRIL 1, 1952

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	Approximate investment yield	
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00		
Period after original maturity (beginning 10 years after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD						(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
							Percent	*Percent*
First ½ year[1] (12/1/61)	$25.37	$50.74	$101.48	$202.96	$507.40	$1,014.80	0.00	3.75
½ to 1 year (6/1/62)	25.82	51.64	103.28	206.56	516.40	1,032.80	3.55	3.76
1 to 1½ years (12/1/62)	26.27	52.54	105.08	210.16	525.40	1,050.80	3.52	3.78
1½ to 2 years (6/1/63)	26.74	53.48	106.96	213.92	534.80	1,069.60	3.54	3.79
2 to 2½ years (12/1/63)	27.22	54.44	108.88	217.76	544.40	1,088.80	3.55	3.80
2½ to 3 years (6/1/64)	27.72	55.44	110.88	221.76	554.40	1,108.80	3.58	3.81
3 to 3½ years (12/1/64)	28.22	56.44	112.88	225.76	564.40	1,128.80	3.58	3.82
3½ to 4 years (6/1/65)	28.74	57.48	114.96	229.92	574.80	1,149.60	3.60	3.84
4 to 4½ years (12/1/65)	29.27	58.54	117.08	234.16	585.40	1,170.80	3.61	4.25
4½ to 5 years (6/1/66)	29.82	59.64	119.28	238.56	596.40	1,192.80	3.62	4.29
5 to 5½ years (12/1/66)	30.39	60.78	121.56	243.12	607.80	1,215.60	3.64	4.34
5½ to 6 years (6/1/67)	30.99	61.98	123.96	247.92	619.80	1,239.60	3.67	4.39
6 to 6½ years (12/1/67)	31.60	63.20	126.40	252.80	632.00	1,264.00	3.69	4.44
6½ to 7 years (6/1/68)	32.26	64.52	129.04	258.08	645.20	1,290.40	3.73	4.58
7 to 7½ years (12/1/68)	32.94	65.88	131.76	263.52	658.80	1,317.60	3.77	4.64
7½ to 8 years (6/1/69)	33.64	67.28	134.56	269.12	672.80	1,345.60	3.80	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision								
8 to 8½ years (12/1/69)	34.39	68.78	137.56	275.12	687.80	1,375.60	3.84	5.13
8½ to 9 years (6/1/70)	35.20	70.40	140.80	281.60	704.00	1,408.00	3.89	5.28
9 to 9½ years (12/1/70)	36.05	72.10	144.20	288.40	721.00	1,442.00	3.94	5.50
9½ to 10 years (6/1/71)	36.96	73.92	147.84	295.68	739.20	1,478.40	4.00	5.95
EXTENDED MATURITY VALUE (20 years from issue date) (12/1/71)	**38.06**	**76.12**	**152.24**	**304.48**	**761.20**	**1,522.40**	[3] **4.10**	

[1] Month, day, and year on which issues of Dec. 1, 1951, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 3.57 percent.

TABLE 26

BONDS BEARING ISSUE DATE OF MAY 1, 1952

Issue price	**$18.75**	**$37.50**	**$75.00**	**$150.00**	**$375.00**	**$750.00**	**$7,500**	Approximate investment yield	
Denomination	**25.00**	**50.00**	**100.00**	**200.00**	**500.00**	**1,000.00**	**10,000**		
Period after original maturity (beginning 9 yeare 8 months after issus date)	(1) Redemption values during each half-year period (values increase on first day of period shown)							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
	EXTENDED MATURITY PERIOD								
								Percent	*Percen*
First ½ year [1] (1/1/62)	$25.27	$50.54	$101.08	$202.16	$505.40	$1,010.80	$10,108	0.00	3.75
½ to 1 year (7/1/62)	25.71	51.42	102.84	205.68	514.20	1,028.40	10,284	3.48	3.76
1 to 1½ years (1/1/63)	26.17	52.34	104.68	209.36	523.40	1,046.80	10,468	3.53	3.77
1½ to 2 years (7/1/63)	26.64	53.28	106.56	213.12	532.80	1,065.60	10,656	3.55	3.79
2 to 2½ years (1/1/64)	27.12	54.24	108.48	216.96	542.40	1,084.80	10,848	3.56	3.80
2½ to 3 years (7/1/64)	27.61	55.22	110.44	220.88	552.20	1,104.40	11,044	3.57	3.81
3 to 3½ years (1/1/65)	28.11	56.22	112.44	224.88	562.20	1,124.40	11,244	3.58	3.82
3½ to 4 years (7/1/65)	28.62	57.24	114.48	228.96	572.40	1,144.80	11,448	3.59	3.84
4 to 4½ years (1/1/66)	29.15	58.30	116.60	233.20	583.00	1,166.00	11,660	3.60	4.25
4½ to 5 years (7/1/66)	29.70	59.40	118.80	237.60	594.00	1,188.00	11,880	3.62	4.30
5 to 5½ years (1/1/67)	30.27	60.54	121.08	242.16	605.40	1,210.80	12,108	3.64	4.34
5½ to 6 years (7/1/67)	30.87	61.74	123.48	246.96	617.40	1,234.80	12,348	3.67	4.38
6 to 6½ years (1/1/68)	31.48	62.96	125.92	251.84	629.60	1,259.20	12,592	3.70	4.44
6½ to 7 years (7/1/68)	32.13	64.26	128.52	257.04	642.60	1,285.20	12,852	3.73	4.58
7 to 7½ years (1/1/69)	32.81	65.62	131.24	262.48	656.20	1,312.40	13,124	3.77	4.64
7½ to 8 years (7/1/69)	33.51	67.02	134.04	268.08	670.20	1,340.40	13,404	3.80	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
8 to 8½ years (1/1/70)	34.26	68.52	137.04	274.08	685.20	1,370.40	13,704	3.84	5.13
8½ to 9 years (7/1/70)	35.06	70.12	140.24	280.48	701.20	1,402.40	14,024	3.89	5.28
9 to 9½ years (1/1/71)	35.91	71.82	143.64	287.28	718.20	1,436.40	14,364	3.94	5.49
9½ to 10 years (7/1/71)	36.81	73.62	147.24	294.48	736.20	1,472.40	14,724	4.00	5.98
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (1/1/72)	**37.91**	**75.82**	**151.64**	**303.28**	**758.20**	**1,516.40**	**15,164**	**[3] 4.10**	

[1] Month, day, and year on which issues of May 1, 1952, enter each period.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 3.61 percent.

TABLE 27

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH SEPTEMBER 1, 1952

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield	
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000		
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year [1](2/1/62)	$25.33	$50.66	$101.32	$202.64	$506.60	$1,013.20	$10,132	0.00	3.75
½ to 1 year (8/1/62)	25.78	51.56	103.12	206.24	515.60	1,031.20	10,312	3.55	3.76
1 to 1½ years (2/1/63)	26.23	52.46	104.92	209.84	524.60	1,049.20	10,492	3.52	3.78
1½ to 2 years (8/1/63)	26.70	53.40	106.80	213.60	534.00	1,068.00	10,680	3.54	3.79
2 to 2½ years (2/1/64)	27.18	54.36	108.72	217.44	543.60	1,087.20	10,872	3.56	3.80
2½ to 3 years (8/1/64)	27.67	55.34	110.68	221.36	553.40	1,106.80	11,068	3.57	3.81
3 to 3½ years (2/1/65)	28.18	56.36	112.72	225.44	563.60	1,127.20	11,272	3.59	3.82
3½ to 4 years (8/1/65)	28.69	57.38	114.76	229.52	573.80	1,147.60	11,476	3.59	3.84
4 to 4½ years (2/1/66)	29.22	58.44	116.88	233.76	584.40	1,168.80	11,688	3.60	4.25
4½ to 5 years (8/1/66)	29.77	59.54	119.08	238.16	595.40	1,190.80	11,908	3.62	4.30
5 to 5½ years (2/1/67)	30.34	60.68	121.36	242.72	606.80	1,213.60	12,136	3.64	4.34
5½ to 6 years (8/1/67)	30.94	61.88	123.76	247.52	618.80	1,237.60	12,376	3.67	4.39
6 to 6½ years (2/1/68)	31.56	63.12	126.24	252.48	631.20	1,262.40	12,624	3.70	4.43
6½ to 7 years (8/1/68)	32.20	64.40	128.80	257.60	644.00	1,288.00	12,880	3.73	4.59
7 to 7½ years (2/1/69)	32.89	65.78	131.56	263.12	657.80	1,315.60	13,156	3.77	4.64
7½ to 8 years (8/1/69)	33.59	67.18	134.36	268.72	671.80	1,343.60	13,436	3.80	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
8 to 8½ years (2/1/70)	34.34	68.68	137.36	274.72	686.80	1,373.60	13,736	3.84	5.13
8½ to 9 years (8/1/70)	35.14	70.28	140.56	281.12	702.80	1,405.60	14,056	3.89	5.29
9 to 9½ years (2/1/71)	35.99	71.98	143.96	287.92	719.80	1,439.60	14,396	3.94	5.51
9½ to 10 years (8/1/71)	36.90	73.80	147.60	295.20	738.00	1,476.00	14,760	4.00	5.96
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (2/1/72)	**38.00**	**76.00**	**152.00**	**304.00**	**760.00**	**1,520.00**	**15,200**	[3] **4.10**	----------

[1] Month, day, and year on which issues of June 1, 1952, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 3.62 percent.

TABLE 28

BONDS BEARING ISSUE DATES FROM OCTOBER 1 THROUGH NOVEMBER 1, 1952

Issue price	**$18.75**	**$37.50**	**$75.00**	**$150.00**	**$375.00**	**$750.00**	**$7,500**	Approximate investment yield	
Denomination	**25.00**	**50.00**	**100.00**	**200.00**	**500.00**	**1,000.00**	**10,000**		
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year [1] (6/1/62)	$25.33	$50.66	$101.32	$202.64	$506.60	$1,013.20	$10,132	0.00	3.75
½ to 1 year (12/1/62)	25.78	51.56	103.12	206.24	515.60	1,031.20	10,312	3.55	3.76
1 to 1½ years (6/1/63)	26.23	52.46	104.92	209.84	524.60	1,049.20	10,492	3.52	3.78
1½ to 2 years (12/1/63)	26.70	53.40	106.80	213.60	534.00	1,068.00	10,680	3.54	3.79
2 to 2½ years (6/1/64)	27.18	54.36	108.72	217.44	543.60	1,087.20	10,872	3.56	3.80
2½ to 3 years (12/1/64)	27.67	55.34	110.68	221.36	553.40	1,106.80	11,068	3.57	3.81
3 to 3½ years (6/1/65)	28.18	56.36	112.72	225.44	563.60	1,127.20	11,272	3.59	3.82
3½ to 4 years (12/1/65)	28.69	57.38	114.76	229.52	573.80	1,147.60	11,476	3.59	4.24
4 to 4½ years (6/1/66)	29.23	58.46	116.92	233.84	584.60	1,169.20	11,692	3.61	4.28
4½ to 5 years (12/1/66)	29.78	59.56	119.12	238.24	595.60	1,191.20	11,912	3.63	4.32
5 to 5½ years (6/1/67)	30.36	60.72	121.44	242.88	607.20	1,214.40	12,144	3.66	4.37
5½ to 6 years (12/1/67)	30.97	61.94	123.88	247.76	619.40	1,238.80	12,388	3.69	4.41
6 to 6½ years (6/1/68)	31.60	63.20	126.40	252.80	632.00	1,264.00	12,640	3.72	4.55
6½ to 7 years (12/1/68)	32.25	64.50	129.00	258.00	645.00	1,290.00	12,900	3.75	4.61
7 to 7½ years (6/1/69)	32.94	65.88	131.76	263.52	658.80	1,317.60	13,176	3.79	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
7½ to 8 years (12/1/69)	33.66	67.32	134.64	269.28	673.20	1,346.40	13,464	3.83	5.13
8 to 8½ years (6/1/70)	34.43	68.86	137.72	275.44	688.60	1,377.20	13,772	3.87	5.26
8½ to 9 years (12/1/70)	35.25	70.50	141.00	282.00	705.00	1,410.00	14,100	3.93	5.43
9 to 9½ years (6/1/71)	36.13	72.26	144.52	289.04	722.60	1,445.20	14,452	3.99	5.65
9½ to 10 years (12/1/71)	37.06	74.12	148.24	296.48	741.20	1,482.40	14,824	4.05	6.15
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (6/1/72)	**38.20**	**76.40**	**152.80**	**305.60**	**764.00**	**1,528.00**	**15,280**	**[3] 4.15**	

[1] Month, day, and year on which issues of Oct. 1, 1952, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 3.65 percent.

TABLE 29

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1952 THROUGH MARCH 1, 1953

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield	
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000		
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	Percent
First ½ year [1] (8/1/62)	$25.39	$50.78	$101.56	$203.12	$507.80	$1,015.60	$10,156	0.00	3.75
½ to 1 year (2/1/63)	25.84	51.68	103.36	206.72	516.80	1,033.60	10,336	3.54	3.76
1 to 1½ years (8/1/63)	26.29	52.58	105.16	210.32	525.80	1,051.60	10,516	3.51	3.77
1½ to 2 years (2/1/64)	26.76	53.52	107.04	214.08	535.20	1,070.40	10,704	3.53	3.79
2 to 2½ years (8/1/64)	27.24	54.48	108.96	217.92	544.80	1,089.60	10,896	3.55	3.80
2½ to 3 years (2/1/65)	27.74	55.48	110.96	221.92	554.80	1,109.60	11,096	3.57	3.81
3 to 3½ years (8/1/65)	28.24	56.48	112.96	225.92	564.80	1,129.60	11,296	3.58	3.82
3½ to 4 years (2/1/66)	28.76	57.52	115.04	230.08	575.20	1,150.40	11,504	3.59	4.23
4 to 4½ years (8/1/66)	29.30	58.60	117.20	234.40	586.00	1,172.00	11,720	3.61	4.27
4½ to 5 years (2/1/67)	29.85	59.70	119.40	238.80	597.00	1,194.00	11,940	3.63	4.32
5 to 5½ years (8/1/67)	30.43	60.86	121.72	243.44	608.60	1,217.20	12,172	3.65	4.36
5½ to 6 years (2/1/68)	31.04	62.08	124.16	248.32	620.80	1,241.60	12,416	3.69	4.40
6 to 6½ years (8/1/68)	31.67	63.34	126.68	253.36	633.40	1,266.80	12,668	3.72	4.55
6½ to 7 years (2/1/69)	32.33	64.66	129.32	258.64	646.60	1,293.20	12,932	3.75	4.60
7 to 7½ years (8/1/69)	33.02	66.04	132.08	264.16	660.40	1,320.80	13,208	3.79	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
7½ to 8 years (2/1/70)	33.74	67.48	134.96	269.92	674.80	1,349.60	13,496	3.83	5.12
8 to 8½ years (8/1/70)	34.51	69.02	138.04	276.08	690.20	1,380.40	13,804	3.87	5.27
8½ to 9 years (2/1/71)	35.33	70.66	141.32	282.64	706.60	1,413.20	14,132	3.92	5.44
9 to 9½ years (8/1/71)	36.22	72.44	144.88	289.76	724.40	1,448.80	14,488	3.99	5.64
9½ to 10 years (2/1/72)	37.16	74.32	148.64	297.28	743.20	1,486.40	14,864	4.05	6.08
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (8/1/72)	**38.29**	**76.58**	**153.16**	**306.32**	**765.80**	**1,531.60**	**15,316**	[3] **4.15**	

[1] Month, day, and year on which issues of Dec. 1, 1952, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 3.66 percent.

TABLE 30

BONDS BEARING ISSUE DATES FROM APRIL 1 THROUGH MAY 1, 1953

Issue price / Denomination								Approximate investment yield	
Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500		
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000		
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year [1] (12/1/62)	$25.39	$50.78	$101.56	$203.12	$507.80	$1,015.60	$10,156	0.00	3.75
½ to 1 year (6/1/63)	25.84	51.68	103.36	206.72	516.80	1,033.60	10,336	3.54	3.76
1 to 1½ years (12/1/63)	26.29	52.58	105.16	210.32	525.80	1,051.60	10,516	3.51	3.77
1½ to 2 years (6/1/64)	26.76	53.52	107.04	214.08	535.20	1,070.40	10,704	3.53	3.79
2 to 2½ years (12/1/64)	27.24	54.48	108.96	217.92	544.80	1,089.60	10,896	3.55	3.80
2½ to 3 years (6/1/65)	27.74	55.48	110.96	221.92	554.80	1,109.60	11,096	3.57	3.81
3 to 3½ years (12/1/65)	28.24	56.48	112.96	225.92	564.80	1,129.60	11,296	3.58	4.22
3½ to 4 years (6/1/66)	28.77	57.54	115.08	230.16	575.40	1,150.80	11,508	3.60	4.26
4 to 4½ years (12/1/66)	29.31	58.62	117.24	234.48	586.20	1,172.40	11,724	3.62	4.30
4½ to 5 years (6/1/67)	29.87	59.74	119.48	238.96	597.40	1,194.80	11,948	3.64	4.35
5 to 5½ years (12/1/67)	30.46	60.92	121.84	243.68	609.20	1,218.40	12,184	3.67	4.39
5½ to 6 years (6/1/68)	31.07	62.14	124.28	248.56	621.40	1,242.80	12,428	3.70	4.53
6 to 6½ years (12/1/68)	31.71	63.42	126.84	253.68	634.20	1,268.40	12,684	3.74	4.58
6½ to 7 years (6/1/69)	32.38	64.76	129.52	259.04	647.60	1,295.20	12,952	3.78	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
7									
7 to 7½ years (12/1/69)	33.08	66.16	132.32	264.64	661.60	1,323.20	13,232	3.82	5.11
8½ to 8 years (6/1/70)	33.82	67.64	135.28	270.56	676.40	1,352.80	13,528	3.86	5.24
8 to 8½ years (12/1/70)	34.62	69.24	138.48	276.96	692.40	1,384.80	13,848	3.91	5.37
9½ to 9 years (6/1/71)	35.46	70.92	141.84	283.68	709.20	1,418.40	14,184	3.97	5.54
9 to 9½ years (12/1/71)	36.36	72.72	145.44	290.88	727.20	1,454.40	14,544	4.03	5.77
9½ to 10 years (6/1/72)	37.31	74.62	149.24	298.48	746.20	1,492.40	14,924	4.09	6.33
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (12/1/72)	38.49	76.98	153.96	307.92	769.80	1,539.60	15,396	4.20	------------

Month, day, and year on which issues of Apr. 1, 1953, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 3.69 percent.

TABLE 31

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH SEPTEMBER 1, 1953

Issue price	**$18.75**	**$37.50**	**$75.00**	**$150.00**	**$375.00**	**$750.00**	**$7,500**	Approximate investment yield	
Denomination	**25.00**	**50.00**	**100.00**	**200.00**	**500.00**	**1,000.00**	**10,000**		
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year [1] (2/1/63)	$25.45	$50.90	$101.80	$203.60	$509.00	$1,018.00	$10,180	0.00	3.75
½ to 1 year (8/1/63)	25.90	51.80	103.60	207.20	518.00	1,036.00	10,360	3.54	3.76
1 to 1½ years (2/1/64)	26.36	52.72	105.44	210.88	527.20	1,054.40	10,544	3.54	3.77
1½ to 2 years (8/1/64)	26.83	53.66	107.32	214.64	536.60	1,073.20	10,732	3.55	3.78
2 to 2½ years (2/1/65)	27.31	54.62	109.24	218.48	546.20	1,092.40	10,924	3.56	3.80
2½ to 3 years (8/1/65)	27.80	55.60	111.20	222.40	556.00	1,112.00	11,120	3.56	3.81
3 to 3½ years (2/1/66)	28.31	56.62	113.24	226.48	566.20	1,132.40	11,324	3.58	4.22
3½ to 4 years (8/1/66)	28.84	57.68	115.36	230.72	576.80	1,153.60	11,536	3.60	4.26
4 to 4½ years (2/1/67)	29.38	58.76	117.52	235.04	587.60	1,175.20	11,752	3.62	4.30
4½ to 5 years (8/1/67)	29.94	59.88	119.76	239.52	598.80	1,197.60	11,976	3.64	4.35
5 to 5½ years (2/1/68)	30.53	61.06	122.12	244.24	610.60	1,221.20	12,212	3.67	4.39
5½ to 6 years (8/1/68)	31.15	62.30	124.60	249.20	623.00	1,246.00	12,460	3.71	4.53
6 to 6½ years (2/1/69)	31.78	63.56	127.12	254.24	635.60	1,271.20	12,712	3.74	4.59
6½ to 7 years (8/1/69)	32.46	64.92	129.84	259.68	649.20	1,298.40	12,984	3.78	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
7 to 7½ years (2/1/70)	33.15	66.30	132.60	265.20	663.00	1,326.00	13,260	3.81	5.12
7½ to 8 years (8/1/70)	33.91	67.82	135.64	271.28	678.20	1,356.40	13,564	3.86	5.23
8 to 8½ years (2/1/71)	34.70	69.40	138.80	277.60	694.00	1,388.00	13,880	3.91	5.37
8½ to 9 years (8/1/71)	35.55	71.10	142.20	284.40	711.00	1,422.00	14,220	3.97	5.53
9 to 9½ years (2/1/72)	36.44	72.88	145.76	291.52	728.80	1,457.60	14,576	4.03	5.79
9½ to 10 years (8/1/72)	37.40	74.80	149.60	299.20	748.00	1,496.00	14,960	4.09	6.31
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (2/1/73)	38.58	77.16	154.32	308.64	771.60	1,543.20	15,432	[3] 4.20	

[1] Month, day, and year on which issues of June 1, 1953, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 3.70 percent.

TABLE 32

BONDS BEARING ISSUE DATES FROM OCTOBER 1 THROUGH NOVEMBER 1, 1953

Issue price / **Denomination**	$18.75 / 25.00	$37.50 / 50.00	$75.00 / 100.00	$150.00 / 200.00	$375.00 / 500.00	$750.00 / 1,000.00	$7,500 / 10,000	Approximate investment yield	
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year ...... [1](6/1/63)	$25.45	$50.90	$101.80	$203.60	$509.00	$1,018.00	$10,180	0.00	3.75
½ to 1 year ...... (12/1/63)	25.90	51.80	103.60	207.20	518.00	1,036.00	10,360	3.54	3.76
1 to 1½ years ...... (6/1/64)	26.36	52.72	105.44	210.88	527.20	1,054.40	10,544	3.54	3.77
1½ to 2 years ..... (12/1/64)	26.83	53.66	107.32	214.64	536.60	1,073.20	10,732	3.55	3.78
2 to 2½ years ...... (6/1/65)	27.31	54.62	109.24	218.48	546.20	1,092.40	10,924	3.56	3.80
2½ to 3 years ..... (12/1/65)	27.80	55.60	111.20	222.40	556.00	1,112.00	11,120	3.56	4.21
3 to 3½ years ...... (6/1/66)	28.32	56.64	113.28	226.56	566.40	1,132.80	11,328	3.59	4.24
3½ to 4 years ..... (12/1/66)	28.85	57.70	115.40	230.80	577.00	1,154.00	11,540	3.61	4.28
4 to 4½ years ...... (6/1/67)	29.40	58.80	117.60	235.20	588.00	1,176.00	11,760	3.64	4.32
4½ to 5 years ..... (12/1/67)	29.96	59.92	119.84	239.68	599.20	1,198.40	11,984	3.66	4.37
5 to 5½ years ...... (6/1/68)	30.56	61.12	122.24	244.48	611.20	1,222.40	12,224	3.69	4.51
5½ to 6 years ..... (12/1/68)	31.19	62.38	124.76	249.52	623.80	1,247.60	12,476	3.73	4.55
6 to 6½ years ...... (6/1/69)	31.83	63.66	127.32	254.64	636.60	1,273.20	12,732	3.76	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
6½ to 7 years ..... (12/1/69)	32.52	65.04	130.08	260.16	650.40	1,300.80	13,008	3.81	5.09
7 to 7½ years ...... (6/1/70)	33.22	66.44	132.88	265.76	664.40	1,328.80	13,288	3.84	5.23
7½ to 8 years ..... (12/1/70)	34.00	68.00	136.00	272.00	680.00	1,360.00	13,600	3.90	5.33
8 to 8½ years ...... (6/1/71)	34.81	69.62	139.24	278.48	696.20	1,392.40	13,924	3.95	5.47
8½ to 9 years ..... (12/1/71)	35.68	71.36	142.72	285.44	713.60	1,427.20	14,272	4.01	5.63
9 to 9½ years ...... (6/1/72)	36.60	73.20	146.40	292.80	732.00	1,464.00	14,640	4.08	5.87
9½ to 10 years ... (12/1/72)	37.57	75.14	150.28	300.56	751.40	1,502.80	15,028	4.14	6.44
EXTENDED MATURITY VALUE (19 years and 8 months from issue date)............(6/1/73)	**38.78**	**77.56**	**155.12**	**310.24**	**775.60**	**1,551.20**	**15,512**	**[3] 4.26**	....

[1] Month, day, and year on which issues of Oct. 1, 1953, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 3.73 percent.

TABLE 33

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1953, THROUGH MARCH 1, 1954

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield	
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000		
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year [1] (8/1/63)	$25.52	$51.04	$102.08	$204.16	$510.40	$1,020.80	$10,208	0.00	3.75
½ to 1 year (2/1/64)	25.97	51.94	103.88	207.76	519.40	1,038.80	10,388	3.53	3.76
1 to 1½ years (8/1/64)	26.43	52.86	105.72	211.44	528.60	1,057.20	10,572	3.53	3.77
1½ to 2 years (2/1/65)	26.90	53.80	107.60	215.20	538.00	1,076.00	10,760	3.54	3.79
2 to 2½ years (8/1/65)	27.38	54.76	109.52	219.04	547.60	1,095.20	10,952	3.55	3.80
2½ to 3 years (2/1/66)	27.88	55.76	111.52	223.04	557.60	1,115.20	11,152	3.57	4.21
3 to 3½ years (8/1/66)	28.40	56.80	113.60	227.20	568.00	1,136.00	11,360	3.60	4.25
3½ to 4 years (2/1/67)	28.93	57.86	115.72	231.44	578.60	1,157.20	11,572	3.62	4.29
4 to 4½ years (8/1/67)	29.48	58.96	117.92	235.84	589.60	1,179.20	11,792	3.64	4.33
4½ to 5 years (2/1/68)	30.05	60.10	120.20	240.40	601.00	1,202.00	12,020	3.66	4.37
5 to 5½ years (8/1/68)	30.65	61.30	122.60	245.20	613.00	1,226.00	12,260	3.70	4.51
5½ to 6 years (2/1/69)	31.27	62.54	125.08	250.16	625.40	1,250.80	12,508	3.73	4.56
6 to 6½ years (8/1/69)	31.92	63.84	127.68	255.36	638.40	1,276.80	12,768	3.76	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
6½ to 7 years (2/1/70)	32.61	65.22	130.44	260.88	652.20	1,304.40	13,044	3.81	5.10
7 to 7½ years (8/1/70)	33.33	66.66	133.32	266.64	666.60	1,333.20	13,332	3.85	5.21
7½ to 8 years (2/1/71)	34.09	68.18	136.36	272.72	681.80	1,363.60	13,636	3.90	5.34
8 to 8½ years (8/1/71)	34.90	69.80	139.60	279.20	698.00	1,396.00	13,960	3.95	5.49
8½ to 9 years (2/1/72)	35.77	71.54	143.08	286.16	715.40	1,430.80	14,308	4.01	5.65
9 to 9½ years (8/1/72)	36.70	73.40	146.80	293.60	734.00	1,468.00	14,680	4.08	5.88
9½ to 10 years (2/1/73)	37.67	75.34	150.68	301.36	753.40	1,506.80	15,068	4.14	6.48
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (8/1/73)	**38.89**	**77.78**	**155.56**	**311.12**	**777.80**	**1,555.60**	**15,556**	[3] 4.26	

[1] Month, day, and year on which issues of Dec. 1, 1953, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 3.74 percent.

TABLE 34

BONDS BEARING ISSUE DATES FROM APRIL 1 THROUGH MAY 1, 1954

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield	
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000		
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year[1] (12/1/63)	$25.52	$51.04	$102.08	$204.16	$510.40	$1,020.80	$10,208	0.00	3.75
½ to 1 year (6/1/64)	25.97	51.94	103.88	207.76	519.40	1,038.80	10,388	3.53	3.76
1 to 1½ years (12/1/64)	26.43	52.86	105.72	211.44	528.60	1,057.20	10,572	3.53	3.77
1½ to 2 years (6/1/65)	26.90	53.80	107.60	215.20	538.00	1,076.00	10,760	3.54	3.79
2 to 2½ years (12/1/65)	27.38	54.76	109.52	219.04	547.60	1,095.20	10,952	3.55	4.20
2½ to 3 years (6/1/66)	27.89	55.78	111.56	223.12	557.80	1,115.60	11,156	3.58	4.23
3 to 3½ years (12/1/66)	28.41	56.82	113.64	227.28	568.20	1,136.40	11,364	3.61	4.27
3½ to 4 years (6/1/67)	28.94	57.88	115.76	231.52	578.80	1,157.60	11,576	3.63	4.31
4 to 4½ years (12/1/67)	29.50	59.00	118.00	236.00	590.00	1,180.00	11,800	3.66	4.35
4½ to 5 years (6/1/68)	30.08	60.16	120.32	240.64	601.60	1,203.20	12,032	3.69	4.48
5 to 5½ years (12/1/68)	30.69	61.38	122.76	245.52	613.80	1,227.60	12,276	3.72	4.53
5½ to 6 years (6/1/69)	31.31	62.62	125.24	250.48	626.20	1,252.40	12,524	3.75	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
6 to 6½ years (12/1/69)	31.97	63.94	127.88	255.76	639.40	1,278.80	12,788	3.79	5.10
6½ to 7 years (6/1/70)	32.68	65.36	130.72	261.44	653.60	1,307.20	13,072	3.84	5.19
7 to 7½ years (12/1/70)	33.42	66.84	133.68	267.36	668.40	1,336.80	13,368	3.89	5.30
7½ to 8 years (6/1/71)	34.20	68.40	136.80	273.60	684.00	1,368.00	13,680	3.94	5.43
8 to 8½ years (12/1/71)	35.04	70.08	140.16	280.32	700.80	1,401.60	14,016	4.00	5.56
8½ to 9 years (6/1/72)	35.92	71.84	143.68	287.36	718.40	1,436.80	14,368	4.06	5.74
9 to 9½ years (12/1/72)	36.86	73.72	147.44	294.88	737.20	1,474.40	14,744	4.13	5.99
9½ to 10 years (6/1/73)	37.85	75.70	151.40	302.80	757.00	1,514.00	15,140	4.19	6.61
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (12/1/73)	**39.10**	**78.20**	**156.40**	**312.80**	**782.00**	**1,564.00**	**15,640**	[3] **4.31**	

[1] Month, day, and year on which issues of Apr. 1, 1954, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 3.77 percent.

TABLE 35

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH SEPTEMBER 1, 1954

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield	
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000		
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year [1](2/1/64)	$25.58	$51.16	$102.32	$204.64	$511.60	$1,023.20	$10,232	0.00	3.75
½ to 1 year (8/1/64)	26.03	52.06	104.12	208.24	520.60	1,041.20	10,412	3.52	3.76
1 to 1½ years (2/1/65)	26.49	52.98	105.96	211.92	529.80	1,059.60	10,596	3.53	3.77
1½ to 2 years (8/1/65)	26.96	53.92	107.84	215.68	539.20	1,078.40	10,784	3.53	3.79
2 to 2½ years (2/1/66)	27.45	54.90	109.80	219.60	549.00	1,098.00	10,980	3.56	4.20
2½ to 3 years (8/1/66)	27.95	55.90	111.80	223.60	559.00	1,118.00	11,180	3.58	4.24
3 to 3½ years (2/1/67)	28.47	56.94	113.88	227.76	569.40	1,138.80	11,388	3.60	4.27
3½ to 4 years (8/1/67)	29.01	58.02	116.04	232.08	580.20	1,160.40	11,604	3.63	4.31
4 to 4½ years (2/1/68)	29.57	59.14	118.28	236.56	591.40	1,182.80	11,828	3.66	4.35
4½ to 5 years (8/1/68)	30.15	60.30	120.60	241.20	603.00	1,206.00	12,060	3.69	4.49
5 to 5½ years (2/1/69)	30.76	61.52	123.04	246.08	615.20	1,230.40	12,304	3.72	4.53
5½ to 6 years (8/1/69)	31.39	62.78	125.56	251.12	627.80	1,255.60	12,556	3.76	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
6 to 6½ years (2/1/70)	32.05	64.10	128.20	256.40	641.00	1,282.00	12,820	3.79	5.10
6½ to 7 years (8/1/70)	32.75	65.50	131.00	262.00	655.00	1,310.00	13,100	3.84	5.20
7 to 7½ years (2/1/71)	33.49	66.98	133.96	267.92	669.80	1,339.60	13,396	3.89	5.32
7½ to 8 years (8/1/71)	34.28	68.56	137.12	274.24	685.60	1,371.20	13,712	3.94	5.44
8 to 8½ years (2/1/72)	35.12	70.24	140.48	280.96	702.40	1,404.80	14,048	4.00	5.57
8½ to 9 years (8/1/72)	36.00	72.00	144.00	288.00	720.00	1,440.00	14,400	4.06	5.76
9 to 9½ years (2/1/73)	36.94	73.88	147.76	295.52	738.80	1,477.60	14,776	4.13	6.03
9½ to 10 years (8/1/73)	37.94	75.88	151.76	303.52	758.80	1,517.60	15,176	4.19	6.64
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (2/1/74)	**39.20**	**78.40**	**156.80**	**313.60**	**784.00**	**1,568.00**	**15,680**	**[3] 4.31**	----------

[1] Month, day, and year on which issues of June 1, 1954, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 3.79 percent.

TABLE 36

BONDS BEARING ISSUE DATES FROM OCTOBER 1 THROUGH NOVEMBER 1, 1954

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield	
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000		
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year [1] (6/1/64)	$25.58	$51.16	$102.32	$204.64	$511.60	$1,023.20	$10,232	0.00	3.75
½ to 1 year (12/1/64)	26.03	52.06	104.12	208.24	520.60	1,041.20	10,412	3.52	3.76
1 to 1½ years (6/1/65)	26.49	52.98	105.96	211.92	529.80	1,059.60	10,596	3.53	3.77
1½ to 2 years (12/1/65)	26.96	53.92	107.84	215.68	539.20	1,078.40	10,784	3.53	4.19
2 to 2½ years (6/1/66)	27.46	54.92	109.84	219.68	549.20	1,098.40	10,984	3.58	4.22
2½ to 3 years (12/1/66)	27.96	55.92	111.84	223.68	559.20	1,118.40	11,184	3.59	4.26
3 to 3½ years (6/1/67)	28.48	56.96	113.92	227.84	569.60	1,139.20	11,392	3.61	4.30
3½ to 4 years (12/1/67)	29.03	58.06	116.12	232.24	580.60	1,161.20	11,612	3.65	4.33
4 to 4½ years (6/1/68)	29.60	59.20	118.40	236.80	592.00	1,184.00	11,840	3.68	4.47
4½ to 5 years (12/1/68)	30.19	60.38	120.76	241.52	603.80	1,207.60	12,076	3.72	4.51
5 to 5½ years (6/1/69)	30.80	61.60	123.20	246.40	616.00	1,232.00	12,320	3.75	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
5½ to 6 years (12/1/69)	31.44	62.88	125.76	251.52	628.80	1,257.60	12,576	3.79	5.10
6 to 6½ years (6/1/70)	32.12	64.24	128.48	256.96	642.40	1,284.80	12,848	3.83	5.19
6½ to 7 years (12/1/70)	32.83	65.66	131.32	262.64	656.60	1,313.20	13,132	3.88	5.30
7 to 7½ years (6/1/71)	33.60	67.20	134.40	268.80	672 00	1,344.00	13,440	3.93	5.41
7½ to 8 years (12/1/71)	34.41	68.82	137.64	275.28	688.20	1,376.40	13,764	3.99	5.52
8 to 8½ years (6/1/72)	35.25	70.50	141.00	282.00	705.00	1,410.00	14,100	4.05	5.68
8½ to 9 years (12/1/72)	36.16	72.32	144.64	289.28	723.20	1,446.40	14,464	4.11	5.86
9 to 9½ years (6/1/73)	37.11	74.22	148.44	296.88	742.20	1,484.40	14,844	4.18	6.16
9½ to 10 years (12/1/73)	38.14	76.28	152.56	305.12	762.80	1,525.60	15,256	4.25	6.76
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (6/1/74)	**39.43**	**78.86**	**157.72**	**315.44**	**788.60**	**1,577.20**	**15,772**	[3] **4.37**	

[1] Month, day, and year on which issues of Oct. 1, 1954, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 3.82 percent.

TABLE 37

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1954, THROUGH MARCH 1, 1955

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield	
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000		
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown)							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
	EXTENDED MATURITY PERIOD								
								Percent	*Percent*
First ½ year.... [1] (8/1/64)	$25.64	$51.28	$102.56	$205.12	$512.80	$1,025.60	$10,256	0.00	3.75
½ to 1 year........(2/1/65)	26.09	52.18	104.36	208.72	521.80	1,043.60	10,436	3.51	3.76
1 to 1½ years......(8/1/65)	26.55	53 10	106.20	212.40	531.00	1,062.00	10,62	3.52	3.78
1½ to 2 years......(2/1/66)	27.03	54.06	108.12	216.24	540.60	1,081.20	10,812	3 55	4 19
2 to 2½ years......(8/1/66)	27.52	55.04	110.08	220.16	550.40	1,100.80	11,008	3.57	4.22
2½ to 3 years......(2/1/67)	28.03	56.06	112.12	224.24	560.60	1,121.20	11,212	3.60	4.26
3 to 3½ years......(8/1/67)	28 55	57.10	114.20	228.40	571.00	1,142.00	11,420	3.62	4.29
3½ to 4 years......(2/1/68)	29.09	58.18	116.36	232.72	581.80	1,163.60	11,636	3.64	4.33
4 to 4½ years......(8/1/68)	29.67	59.34	118.68	237.36	593.40	1,186.80	11,868	3.68	4.46
4½ to 5 years......(2/1/69)	30.26	60.52	121.04	242.08	605.20	1,210.40	12,104	3.72	4.51
5 to 5½ years......(8/1/69)	30.87	61.74	123.48	246.96	617.40	1,234.80	12,348	3.75	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
5½ to 6 years......(2/1/70)	31.52	63.04	126.08	252.16	630.40	1,260.80	12,608	3.79	5.09
6 to 6½ years......(8/1/70)	32.19	64.38	128.76	257.52	643.80	1,287.60	12,876	3.83	5.20
6½ to 7 years......(2/1/71)	32.91	65.82	131.64	263.28	658.20	1,316.40	13,164	3.88	5.30
7 to 7½ years......(8/1/71)	33.68	67 36	134.72	269.44	673.60	1,347.20	13,472	3.93	5.40
7½ to 8 years......(2/1/72)	34.49	68.98	137.96	275.92	689.80	1,379.60	13,796	3.99	5.52
8 to 8½ years......(8/1/72)	35.33	70.66	141.32	282.64	706.60	1,413.20	14,132	4.05	5.68
8½ to 9 years......(2/1/73)	36.25	72.50	145.00	290 00	725 00	1,450.00	14,500	4.12	5.84
9 to 9½ years......(8/1/73)	37.20	74.40	148.80	297.60	744.00	1,488.00	14,880	4.18	6.14
9½ to 10 years....(2/1/74)	38.21	76.42	152.84	305.68	764.20	1,528.40	15,284	4.24	6.86
EXTENDED MATURITY VALUE (19 years and 8 months from issue date)............(8/1/74)	**39.52**	**79.01**	**158.08**	**316.16**	**790.40**	**1,580.80**	**15,808**	[3] 4.37	....

[1] Month, day, and year on which issues of Dec. 1, 1954, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 3.83 percent.

TABLE 38

BONDS BEARING ISSUE DATES FROM APRIL 1 THROUGH MAY 1, 1955

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield	
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000		
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year [1] (12/1/64)	$25.64	$51.28	$102.56	$205.12	$512.80	$1,025.60	$10,256	0.00	3.75
½ to 1 year (6/1/65)	26.09	52.18	104.36	208.72	521.80	1,043.60	10,436	3.51	3.76
1 to 1½ years (12/1/65)	26.55	53.10	106.20	212.40	531.00	1,062.00	10,620	3.52	4.18
1½ to 2 years (6/1/66)	27.04	54.08	108.16	216.32	540.80	1,081.60	10,816	3.58	4.21
2 to 2½ years (12/1/66)	27.53	55.06	110.12	220.24	550.60	1,101.20	11,012	3.59	4.24
2½ to 3 years (6/1/67)	28.04	56.08	112.16	224.32	560.80	1,121.60	11,216	3.61	4.28
3 to 3½ years (12/1/67)	28.57	57.14	114.28	228.56	571.40	1,142.80	11,428	3.64	4.31
3½ to 4 years (6/1/68)	29.12	58.24	116.48	232.96	582.40	1,164.80	11,648	3.67	4.45
4 to 4½ years (12/1/68)	29.70	59.40	118.80	237.60	594.00	1,188.00	11,880	3.71	4.49
4½ to 5 years (6/1/69)	30.29	60.58	121.16	242.32	605.80	1,211.60	12,116	3.74	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
5 to 5½ years (12/1/69)	30.92	61.84	123.68	247.36	618.40	1,236.80	12,368	3.78	5.08
5½ to 6 years (6/1/70)	31.58	63.16	126.32	252.64	631.60	1,263.20	12,632	3.82	5.17
6 to 6½ years (12/1/70)	32.27	64.54	129.08	258.16	645.40	1,290.80	12,908	3.87	5.27
6½ to 7 years (6/1/71)	33.02	66.04	132.08	264.16	660.40	1,320.80	13,208	3.93	5.36
7 to 7½ years (12/1/71)	33.79	67.58	135.16	270.32	675.80	1,351.60	13,516	3.98	5.48
7½ to 8 years (6/1/72)	34.61	69.22	138.44	276.88	692.20	1,384.40	13,844	4.04	5.61
8 to 8½ years (12/1/72)	35.49	70.98	141.96	283.92	709.80	1,419.60	14,196	4.11	5.74
8½ to 9 years (6/1/73)	36.41	72.82	145.64	291.28	728.20	1,456.40	14,564	4.17	5.92
9 to 9½ years (12/1/73)	37.38	74.76	149.52	299.04	747.60	1,495.20	14,952	4.23	6.22
9½ to 10 years (6/1/74)	38.40	76.80	153.60	307.20	768.00	1,536.00	15,360	4.30	6.98
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (12/1/74)	**39.74**	**79.48**	**158.96**	**317.92**	**794.80**	**1,589.60**	**15,896**	[3] **4.43**	

[1] Month, day, and year on which issues of Apr. 1, 1955, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 3.86 percent.

TABLE 39

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH SEPTEMBER 1, 1955

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield	
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000		
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year [1] (2/1/65)	$25.71	$51.42	$102.84	$205.68	$514.20	$1,028.40	$10,284	0.00	3.75
½ to 1 year (8/1/65)	26.16	52.32	104.64	209.28	523.20	1,046.40	10,464	3.50	3.76
1 to 1½ years (2/1/66)	26.63	53.26	106.52	213.04	532.60	1,065.20	10,652	3.55	4.17
1½ to 2 years (8/1/66)	27.11	54.22	108.44	216.88	542.20	1,084.40	10,844	3.57	4.21
2 to 2½ years (2/1/67)	27.61	55.22	110.44	220.88	552.20	1,104.40	11,044	3.60	4.24
2½ to 3 years (8/1/67)	28.12	56.24	112.48	224.96	562.40	1,124.80	11,248	3.62	4.28
3 to 3½ years (2/1/68)	28.65	57.30	114.60	229.20	573.00	1,146.00	11,460	3.64	4.31
3½ to 4 years (8/1/68)	29.20	58.40	116.80	233.60	584.00	1,168.00	11,680	3.67	4.45
4 to 4½ years (2/1/69)	29.78	59.56	119.12	238.24	595.60	1,191.20	11,912	3.71	4.49
4½ to 5 years (8/1/69)	30.37	60.74	121.48	242.96	607.40	1,214.80	12,148	3.74	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
5 to 5½ years (2/1/70)	31.00	62.00	124.00	248.00	620.00	1,240.00	12,400	3.78	5.09
5½ to 6 years (8/1/70)	31.66	63.32	126.64	253.28	633.20	1,266.40	12,664	3.82	5.18
6 to 6½ years (2/1/71)	32.36	64.72	129.44	258.88	647.20	1,294.40	12,944	3.87	5.27
6½ to 7 years (8/1/71)	33.11	66.22	132.44	264.88	662.20	1,324.40	13,244	3.93	5.36
7 to 7½ years (2/1/72)	33.88	67.76	135.52	271.04	677.60	1,355.20	13,552	3.98	5.48
7½ to 8 years (8/1/72)	34.72	69.44	138.88	277.76	694.40	1,388.80	13,888	4.05	5.59
8 to 8½ years (2/1/73)	35.59	71.18	142.36	284.72	711.80	1,423.60	14,236	4.11	5.73
8½ to 9 years (8/1/73)	36.51	73.02	146.04	292.08	730.20	1,460.40	14,604	4.17	5.92
9 to 9½ years (2/1/74)	37.48	74.96	149.92	299.84	749.60	1,499.20	14,992	4.23	6.23
9½ to 10 years (8/1/74)	38.50	77.00	154.00	308.00	770.00	1,540.00	15,400	4.30	7.01
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (2/1/75)	**39.85**	**79.70**	**159.40**	**318.80**	**797.00**	**1,594.00**	**15,940**	**[3] 4.43**	

[1] Month, day, and year on which issues of June 1, 1955, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 3.87 percent.

TABLE 40

BONDS BEARING ISSUE DATES FROM OCTOBER 1 THROUGH NOVEMBER 1, 1955

Issue price / **Denomination**	$18.75 / 25.00	$37.50 / 50.00	$75.00 / 100.00	$150.00 / 200.00	$375.00 / 500.00	$750.00 / 1,000.00	$7,500 / 10,000	Approximate investment yield	
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year.....[1](6/1/65)	$25.71	$51.42	$102.84	$205.68	$514.20	$1,028.40	$10,284	0.00	3.75
½ to 1 year.......(12/1/65)	26.16	52.32	104.64	209.28	523.20	1,046.40	10,464	3.50	4.16
1 to 1½ years.....(6/1/66)	26.64	53.28	106.56	213.12	532.80	1,065.60	10,656	3.59	4.19
1½ to 2 years....(12/1/66)	27.12	54.24	108.48	216.96	542.40	1,084.80	10,848	3.59	4.23
2 to 2½ years.....(6/1/67)	27.62	55.24	110.48	220.96	552.40	1,104.80	11,048	3.62	4.26
2½ to 3 years....(12/1/67)	28.14	56.28	112.56	225.12	562.80	1,125.60	11,256	3.65	4.29
3 to 3½ years.....(6/1/68)	28.68	57.36	114.72	229.44	573.60	1,147.20	11,472	3.68	4.43
3½ to 4 years....(12/1/68)	29.23	58.46	116.92	233.84	584.60	1,169.20	11,692	3.70	4.47
4 to 4½ years.....(6/1/69)	29.81	59.62	119.24	238.48	596.20	1,192.40	11,924	3.73	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
4½ to 5 years....(12/1/69)	30.42	60.84	121.68	243.36	608.40	1,216.80	12,168	3.77	5.08
5 to 5½ years.....(6/1/70)	31.05	62.10	124.20	248.40	621.00	1,242.00	12,420	3.81	5.18
5½ to 6 years....(12/1/70)	31.74	63.48	126.96	253.92	634.80	1,269.60	12,696	3.87	5.26
6 to 6½ years.....(6/1/71)	32.46	64.92	129.84	259.68	649.20	1,298.40	12,984	3.92	5.35
6½ to 7 years....(12/1/71)	33.21	66.42	132.84	265.68	664.20	1,328.40	13,284	3.98	5.45
7 to 7½ years.....(6/1/72)	34.01	68.02	136.04	272.08	680.20	1,360.40	13,604	4.04	5.56
7½ to 8 years....(12/1/72)	34.86	69.72	139.44	278.88	697.20	1,394.40	13,944	4.10	5.67
8 to 8½ years.....(6/1/73)	35.75	71.50	143.00	286.00	715.00	1,430.00	14,300	4.16	5.81
8½ to 9 years....(12/1/73)	36.68	73.36	146.72	293.44	733.60	1,467.20	14,672	4.22	6.02
9 to 9½ years.....(6/1/74)	37.67	75.34	150.68	301.36	753.40	1,506.80	15,068	4.29	6.32
9½ to 10 years...(12/1/74)	38.71	77.42	154.84	309.68	774.20	1,548.40	15,484	4.35	7.13
EXTENDED MATURITY VALUE (19 years and 8 months from issue date)............(6/1/75)	**40.09**	**80.18**	**160.36**	**320.72**	**801.80**	**1,603.60**	**16,036**	[3]4.49	....

[1] Month, day, and year on which issues of Oct. 1, 1955, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 3.90 percent.

TABLE 41

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1955, THROUGH MARCH 1, 1956

Issue price	**$18.75**	**$37.50**	**$75.00**	**$150.00**	**$375.00**	**$750.00**	**$7,500**	Approximate investment yield	
Denomination	**25.00**	**50.00**	**100.00**	**200.00**	**500.00**	**1,000.00**	**10,000**		
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year [1](8/1/65)	$25.77	$51.54	$103.08	$206.16	$515.40	$1,030.80	$10,308	0.00	3.75
½ to 1 year (2/1/66)	26.22	52.44	104.88	209.76	524.40	1,048.80	10,488	3.49	4.17
1 to 1½ years (8/1/66)	26.70	53.40	106.80	213.60	534.00	1,068.00	10,680	3.58	4.19
1½ to 2 years (2/1/67)	27.18	54.36	108.72	217.44	543.60	1,087.20	10,872	3.58	4.23
2 to 2½ years (8/1/67)	27.68	55.36	110.72	221.44	553.60	1,107.20	11,072	3.61	4.26
2½ to 3 years (2/1/68)	28.20	56.40	112.80	225.60	564.00	1,128.00	11,280	3.64	4.30
3 to 3½ years (8/1/68)	28.74	57.48	114.96	229.92	574.80	1,149.60	11,496	3.67	4.43
3½ to 4 years (2/1/69)	29.30	58.60	117.20	234.40	586.00	1,172.00	11,720	3.70	4.47
4 to 4½ years (8/1/69)	29.88	59.76	119.52	239.04	597.60	1,195.20	11,952	3.73	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
4½ to 5 years (2/1/70)	30.49	60.98	121.96	243.92	609.80	1,219.60	12,196	3.77	5.09
5 to 5½ years (8/1/70)	31.13	62.26	124.52	249.04	622.60	1,245.20	12,452	3.82	5.17
5½ to 6 years (2/1/71)	31.82	63.64	127.28	254.56	636.40	1,272.80	12,728	3.87	5.26
6 to 6½ years (8/1/71)	32.53	65.05	130.12	260.24	650.60	1,301.20	13,012	3.92	5.36
6½ to 7 years (2/1/72)	33.28	66.56	133.12	266.24	665.60	1,331.20	13,312	3.97	5.46
7 to 7½ years (8/1/72)	34.09	68.18	136.36	272.72	681.80	1,363.60	13,636	4.04	5.56
7½ to 8 years (2/1/73)	34.94	69.88	139.76	279.52	698.80	1,397.60	13,976	4.10	5.68
8 to 8½ years (8/1/73)	35.83	71.66	143.32	286.64	716.60	1,433.20	14,332	4.16	5.82
8½ to 9 years (2/1/74)	36.76	73.52	147.04	294.08	735.20	1,470.40	14,704	4.22	6.04
9 to 9½ years (8/1/74)	37.76	75.52	151.04	302.08	755.20	1,510.40	15,104	4.29	6.34
9½ to 10 years (2/1/75)	38.81	77.62	155.24	310.48	776.20	1,552.40	15,524	4.36	7.11
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (8/1/75)	**40.19**	**80.38**	**160.76**	**321.52**	**803.80**	**1,607.60**	**16,076**	**[3] 4.49**	

[1] Month, day, and year on which issues of Dec. 1, 1955, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 3.91 percent.

TABLE 42

BONDS BEARING ISSUE DATES FROM APRIL 1 THROUGH MAY 1, 1956

Issue price / Denomination / Period after original maturity (beginning 9 years 8 months after issue date)	$18.75 / 25.00	$37.50 / 50.00	$75.00 / 100.00	$150.00 / 200.00	$375.00 / 500.00	$750.00 / 1,000.00	$7,500 / 10,000	Approximate investment yield: (2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							Percent	Percent
First ½ year [1] (12/1/65)	$25.77	$51.54	$103.08	$206.16	$515.40	$1,030.80	$10,308	0.00	4.15
½ to 1 year (6/1/66)	26.30	52.60	105.20	210.40	526.00	1,052.00	10,520	4.11	4.15
1 to 1½ years (12/1/66)	26.85	53.70	107.40	214.80	537.00	1,074.00	10,740	4.15	4.15
1½ to 2 years (6/1/67)	27.41	54.82	109.64	219.28	548.20	1,096.40	10,964	4.16	4.15
2 to 2½ years (12/1/67)	27.98	55.96	111.92	223.84	559.60	1,119.20	11,192	4.16	4.15
2½ to 3 years (6/1/68)	28.56	57.12	114.24	228.48	571.20	1,142.40	11,424	4.15	4.25
3 to 3½ years (12/1/68)	29.15	58.30	116.60	233.20	583.00	1,166.00	11,660	4.15	4.26
3½ to 4 years (6/1/69)	29.75	59.50	119.00	238.00	595.00	1,190.00	11,900	4.15	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
4 to 4½ years (12/1/69)	30.38	60.76	121.52	243.04	607.60	1,215.20	12,152	4.16	5.06
4½ to 5 years (6/1/70)	31.03	62.06	124.12	248.24	620.60	1,241.20	12,412	4.17	5.14
5 to 5½ years (12/1/70)	31.73	63.46	126.92	253.84	634.60	1,269.20	12,692	4.20	5.20
5½ to 6 years (6/1/71)	32.44	64.88	129.76	259.52	648.80	1,297.60	12,976	4.23	5.28
6 to 6½ years (12/1/71)	33.20	66.40	132.80	265.60	664.00	1,328.00	13,280	4.27	5.35
6½ to 7 years (6/1/72)	34.00	68.00	136.00	272.00	680.00	1,360.00	13,600	4.31	5.43
7 to 7½ years (12/1/72)	34.82	69.64	139.28	278.56	696.40	1,392.80	13,928	4.35	5.53
7½ to 8 years (6/1/73)	35.69	71.38	142.76	285.52	713.80	1,427.60	14,276	4.39	5.64
8 to 8½ years (12/1/73)	36.61	73.22	146.44	292.88	732.20	1,464.40	14,644	4.44	5.76
8½ to 9 years (6/1/74)	37.56	75.12	150.24	300.48	751.20	1,502.40	15,024	4.48	5.95
9 to 9½ years (12/1/74)	38.56	77.12	154.24	308.48	771.20	1,542.40	15,424	4.53	6.26
9½ to 10 years (6/1/75)	39.61	79.22	158.44	316.88	792.20	1,584.40	15,844	4.58	7.07
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (12/1/75)	41.01	82.02	164.04	328.08	820.20	1,640.40	16,404	[3] 4.70	------------

[1] Month, day, and year on which issues of Apr. 1, 1956, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 4.02 percent.

TABLE 43

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH SEPTEMBER 1, 1956

Issue price	**$18.75**	**$37.50**	**$75.00**	**$150.00**	**$375.00**	**$750.00**	**$7,500**	Approximate investment yield	
Denomination	**25.00**	**50.00**	**100.00**	**200.00**	**500.00**	**1,000.00**	**10,000**		
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year ..... [1](2/1/66)	$25.83	$51.66	$103.32	$206.64	$516.60	$1,033.20	$10,332	0.00	4.15
½ to 1 year .... (8/1/66)	26.37	52.74	105.48	210.96	527.40	1,054.80	10,548	4.18	4.15
1 to 1½ years ...... (2/1/67)	26.91	53.82	107.64	215.28	538.20	1,076.40	10,764	4.14	4.15
1½ to 2 years ...... (8/1/67)	27.47	54.94	109.88	219.76	549.40	1,098.80	10,988	4.15	4.15
2 to 2½ years ...... (2/1/68)	28.04	56.08	112.16	224.32	560.80	1,121.60	11,216	4.15	4.15
2½ to 3 years ...... (8/1/68)	28.62	57.24	114.48	228.96	572.40	1,144.80	11,448	4.15	4.25
3 to 3½ years ...... (2/1/69)	29.22	58.44	116.88	233.76	584.40	1,168.80	11,688	4.15	4.26
3½ to 4 years ...... (8/1/69)	29.82	59.64	119.28	238.56	596.40	1,192.80	11,928	4.15	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
4 to 4½ years ...... (2/1/70)	30.45	60.90	121.80	243.60	609.00	1,218.00	12,180	4.16	5.07
4½ to 5 years ...... (8/1/70)	31.10	62.20	124.40	248.80	622.00	1,244.00	12,440	4.17	5.14
5 to 5½ years ...... (2/1/71)	31.80	63.60	127.20	254.40	636.00	1,272.00	12,720	4.20	5.20
5½ to 6 years ...... (8/1/71)	32.52	65.04	130.08	260.16	650.40	1,300.80	13,008	4.23	5.28
6 to 6½ years ...... (2/1/72)	33.28	66.56	133.12	266.24	665.60	1,331.20	13,312	4.27	5.35
6½ to 7 years ...... (8/1/72)	34.07	68.14	136.28	272.56	681.40	1,362.80	13,628	4.31	5.44
7 to 7½ years ...... (2/1/73)	34.90	69.80	139.60	279.20	698.00	1,396.00	13,960	4.35	5.53
7½ to 8 years ...... (8/1/73)	35.78	71.56	143.12	286.24	715.60	1,431.20	14,312	4.39	5.63
8 to 8½ years ...... (2/1/74)	36.69	73.38	146.76	293.52	733.80	1,467.60	14,676	4.44	5.77
8½ to 9 years ...... (8/1/74)	37.64	75.28	150.56	301.12	752.80	1,505.60	15,056	4.48	5.97
9 to 9½ years ...... (2/1/75)	38.65	77.30	154.60	309.20	773.00	1,546.00	15,460	4.53	6.27
9½ to 10 years .... (8/1/75)	39.70	79.40	158.80	317.60	794.00	1,588.00	15,880	4.58	7.10
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) .... (2/1/76)	**41.11**	**82.22**	**164.44**	**328.88**	**822.20**	**1,644.40**	**16,444**	[3] **4.70**	....

[1] Month, day, and year on which issues of June 1, 1956, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period
[3] Yield on purchase price from issue date to extended maturity date is 4.03 percent.

TABLE 44

BONDS BEARING ISSUE DATES FROM OCTOBER 1 THROUGH NOVEMBER 1, 1956

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield	
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000		
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year [1] (6/1/66)	$25.83	$51.66	$103.32	$206.64	$516.60	$1,033.20	$10,332	0.00	4.15
½ to 1 year (12/1/66)	26.37	52.74	105.48	210.96	527.40	1,054.80	10,548	4.18	4.15
1 to 1½ years (6/1/67)	26.91	53.82	107.64	215.28	538.20	1,076.40	10,764	4.14	4.15
1½ to 2 years (12/1/67)	27.47	54.94	109.88	219.76	549.40	1,098.80	10,988	4.15	4.15
2 to 2½ years (6/1/68)	28.04	56.08	112.16	224.32	560.80	1,121.60	11,216	4.15	4.15
2½ to 3 years (12/1/68)	28.62	57.24	114.48	228.96	572.40	1,144.80	11,448	4.15	4.25
3 to 3½ years (6/1/69)	29.22	58.44	116.88	233.76	584.40	1,168.80	11,688	4.15	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
3½ to 4 years (12/1/69)	29.83	59.66	119.32	238.64	596.60	1,193.20	11,932	4.16	5.06
4 to 4½ years (6/1/70)	30.47	60.94	121.88	243.76	609.40	1,218.80	12,188	4.17	5.13
4½ to 5 years (12/1/70)	31.14	62.28	124.56	249.12	622.80	1,245.60	12,456	4.20	5.20
5 to 5½ years (6/1/71)	31.85	63.70	127.40	254.80	637.00	1,274.00	12,740	4.23	5.26
5½ to 6 years (12/1/71)	32.59	65.18	130.36	260.72	651.80	1,303.60	13,036	4.27	5.33
6 to 6½ years (6/1/72)	33.36	66.72	133.44	266.88	667.20	1,334.40	13,344	4.31	5.40
6½ to 7 years (12/1/72)	34.16	68.32	136.64	273.28	683.20	1,366.40	13,664	4.35	5.49
7 to 7½ years (6/1/73)	35.01	70.02	140.04	280.08	700.20	1,400.40	14,004	4.39	5.58
7½ to 8 years (12/1/73)	35.90	71.80	143.60	287.20	718.00	1,436.00	14,360	4.44	5.67
8 to 8½ years (6/1/74)	36.82	73.64	147.28	294.56	736.40	1,472.80	14,728	4.48	5.81
8½ to 9 years (12/1/74)	37.79	75.58	151.16	302.32	755.80	1,511.60	15,116	4.53	5.99
9 to 9½ years (6/1/75)	38.80	77.60	155.20	310.40	776.00	1,552.00	15,520	4.57	6.32
9½ to 10 years (12/1/75)	39.87	79.74	159.48	318.96	797.40	1,594.80	15,948	4.62	7.12
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (6/1/76)	**41.29**	**82.58**	**165.16**	**330.32**	**825.80**	**1,651.60**	**16,516**	[3]4.75	

[1] Month, day, and year on which issues of Oct. 1, 1956, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 4.05 percent.

TABLE 45

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1956, THROUGH JANUARY 1, 1957

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield	
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000		
Period after original maturity (beginning 9 years 8 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year [1](8/1/66)	$25.97	$51.94	$103.88	$207.76	$519.40	$1,038.80	$10,388	0.00	4.15
½ to 1 year (2/1/67)	26.51	53.02	106.04	212.08	530.20	1,060.40	10,604	4.16	4.15
1 to 1½ years (8/1/67)	27.06	54.12	108.24	216.48	541.20	1,082.40	10,824	4.15	4.15
1½ to 2 years (2/1/68)	27.62	55.24	110.48	220.96	552.40	1,104.80	11,048	4.15	4.15
2 to 2½ years (8/1/68)	28.19	56.38	112.76	225.52	563.80	1,127.60	11,276	4.14	4.25
2½ to 3 years (2/1/69)	28.78	57.56	115.12	230.24	575.60	1,151.20	11,512	4.15	4.26
3 to 3½ years (8/1/69)	29.38	58.76	117.52	235.04	587.60	1,175.20	11,752	4.15	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
3½ to 4 years (2/1/70)	30.00	60.00	120.00	240.00	600.00	1,200.00	12,000	4.16	5.06
4 to 4½ years (8/1/70)	30.64	61.28	122.56	245.12	612.80	1,225.60	12,256	4.18	5.13
4½ to 5 years (2/1/71)	31.31	62.62	125.24	250.48	626.20	1,252.40	12,524	4.20	5.19
5 to 5½ years (8/1/71)	32.02	64.04	128.08	256.16	640.40	1,280.80	12,808	4.23	5.26
5½ to 6 years (2/1/72)	32.76	65.52	131.04	262.08	655.20	1,310.40	13,104	4.27	5.33
6 to 6½ years (8/1/72)	33.54	67.08	134.16	268.32	670.80	1,341.60	13,416	4.31	5.40
6½ to 7 years (2/1/73)	34.35	68.70	137.40	274.80	687.00	1,374.00	13,740	4.35	5.48
7 to 7½ years (8/1/73)	35.20	70.40	140.80	281.60	704.00	1,408.00	14,080	4.39	5.57
7½ to 8 years (2/1/74)	36.09	72.18	144.36	288.72	721.80	1,443.60	14,436	4.44	5.68
8 to 8½ years (8/1/74)	37.01	74.02	148.04	296.08	740.20	1,480.40	14,804	4.48	5.82
8½ to 9 years (2/1/75)	37.99	75.98	151.96	303.92	759.80	1,519.60	15,196	4.53	6.00
9 to 9½ years (8/1/75)	39.01	78.02	156.04	312.08	780.20	1,560.40	15,604	4.57	6.31
9½ to 10 years (2/1/76)	40.08	80.16	160.32	320.64	801.60	1,603.20	16,032	4.62	7.14
EXTENDED MATURITY VALUE (19 years and 8 months from issue date) (8/1/76)	41.51	83.02	166.04	332.08	830.20	1,660.40	16,604	[3] 4.75	

[1] Month, day, and year on which issues of Dec. 1, 1956, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 4.08 percent.

TABLE 46

BONDS BEARING ISSUE DATES FROM FEBRUARY 1 THROUGH MAY 1, 1957

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield	
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000		
Period after original maturity (beginning 8 years 11 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year [1] (1/1/66)	$25.80	$51.60	$103.20	$206.40	$516.00	$1,032.00	$10,320	0.00	4.15
½ to 1 year (7/1/66)	26.34	52.68	105.36	210.72	526.80	1,053.60	10,536	4.19	4.15
1 to 1½ years (1/1/67)	26.88	53.76	107.52	215.04	537.60	1,075.20	10,752	4.14	4.15
1½ to 2 years (7/1/67)	27.44	54.88	109.76	219.52	548 80	1,097.60	10,976	4,15	4.15
2 to 2½ years (1/1/68)	28.01	56.02	112.04	224.08	560.20	1,120.40	11,204	4.15	4.15
2½ to 3 years (7/1/68)	28.59	57.18	114.36	228.72	571.80	1,143.60	11,436	4.15	4.25
3 to 3½ years (1/1/69)	29.18	58.36	116.72	233.44	583.60	1,167.20	11,672	4.15	4.26
3½ to 4 years (7/1/69)	29.79	59.58	119.16	238.32	595.80	1,191.60	11,916	4.15	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
4 to 4½ years (1/1/70)	30.42	60.84	121.68	243.36	608.40	1,216.80	12,168	4.16	5.07
4½ to 5 years (7/1/70)	31.07	62.14	124.28	248.56	621.40	1,242.80	12,428	4.17	5.14
5 to 5½ years (1/1/71)	31.76	63.52	127.04	254.08	635.20	1,270.40	12,704	4.20	5.21
5½ to 6 years (7/1/71)	32.48	64.96	129.92	259.84	649.60	1,299.20	12,992	4.23	5.28
6 to 6½ years (1/1/72)	33.24	66.48	132.96	265.92	664.80	1,329.60	13,296	4.27	5.36
6½ to 7 years (7/1/72)	34.04	68.08	136.16	272.32	680.80	1,361.60	13,616	4.31	5.44
7 to 7½ years (1/1/73)	34.86	69.72	139.44	278.88	697.20	1,394.40	13,944	4.35	5.54
7½ to 8 years (7/1/73)	35.73	71.46	142.92	285.84	714.60	1,429.20	14,292	4.39	5.65
8 to 8½ years (1/1/74)	36.65	73.30	146.60	293.20	733.00	1,466.00	14,660	4.44	5.78
8½ to 9 years (7/1/74)	37.60	75.20	150.40	300.80	752.00	1,504.00	15,040	4.48	5.97
9 to 9½ years (1/1/75)	38.61	77.22	154.44	308.88	772.20	1,544.40	15,444	4.53	6.27
9½ to 10 years (7/1/75)	39.65	79.30	158.60	317.20	793.00	1,586.00	15,860	4.57	7.16
EXTENDED MATURITY VALUE (18 years and 11 months from issue date) (1/1/76)	**41.07**	**82.14**	**164.28**	**328.56**	**821.40**	**1,642.80**	**16,428**	[3] **4.70**	

[1] Month, day, and year on which issues of Feb. 1, 1957, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 4.19 percent.

TABLE 47

BONDS BEARING ISSUE DATE JUNE 1, 1957

Issue price	**$18.75**	**$37.50**	**$75.00**	**$150.00**	**$375.00**	**$750.00**	**$7,500**	Approximate investment yield	
Denomination	**25.00**	**50.00**	**100.00**	**200.00**	**500.00**	**1,000.00**	**10,000**		
Period after original maturity (beginning 8 years 11 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year ---- [1] (5/1/66)	$25.91	$51.82	$103.64	$207.28	$518.20	$1,036.40	$10,364	0.00	4.15
½ to 1 year ------ (11/1/66)	26.45	52.90	105.80	211.60	529.00	1,058.00	10,580	4.17	4.15
1 to 1½ years ----- (5/1/67)	27.00	54.00	108.00	216.00	540.00	1,080.00	10,800	4.16	4.15
1½ to 2 years ---- (11/1/67)	27.56	55.12	110.24	220.48	551.20	1,102.40	11,024	4.16	4.15
2 to 2½ years ----- (5/1/68)	28.13	56.26	112.52	225.04	562.60	1,125.20	11,252	4.15	4.25
2½ to 3 years ---- (11/1/68)	28.71	57.42	114.84	229.68	574.20	1,148.40	11,484	4.15	4.26
3 to 3½ years ----- (5/1/69)	29.31	58.62	117.24	234.48	586.20	1,172.40	11,724	4.15	4.26
3½ to 4 years ---- (11/1/69)	29.92	59.84	119.68	239.36	598.40	1,196.80	11,968	4.15	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
4 to 4½ years ----- (5/1/70)	30.55	61.10	122.20	244.40	611.00	1,222.00	12,220	4.16	5.07
4½ to 5 years ---- (11/1/70)	31.20	62.40	124.80	249.60	624.00	1,248.00	12,480	4.17	5.14
5 to 5½ years ----- (5/1/71)	31.90	63.80	127.60	255.20	638.00	1,276.00	12,760	4.20	5.21
5½ to 6 years ---- (11/1/71)	32.62	65.24	130.48	260.96	652.40	1,304.80	13,048	4.23	5.28
6 to 6½ years ----- (5/1/72)	33.38	66.76	133.52	267.04	667.60	1,335.20	13,352	4.27	5.36
6½ to 7 years ---- (11/1/72)	34.18	68.36	136.72	273.44	683.60	1,367.20	13,672	4.31	5.44
7 to 7½ years ----- (5/1/73)	35.01	70.02	140.04	280.08	700.20	1,400.40	14,004	4.35	5.54
7½ to 8 years ---- (11/1/73)	35.88	71.76	143.52	287.04	717.60	1,435.20	14,352	4.39	5.66
8 to 8½ years ----- (5/1/74)	36.80	73.60	147.20	294.40	736.00	1,472.00	14,720	4.43	5.79
8½ to 9 years ---- (11/1/74)	37.76	75.52	151.04	302.08	755.20	1,510.40	15,104	4.48	5.98
9 to 9½ years ----- (5/1/75)	38.76	77.52	155.04	310.08	775.20	1,550.40	15,504	4.53	6.32
9½ to 10 years --- (11/1/75)	39.82	79.64	159.28	318.56	796.40	1,592.80	15,928	4.58	7.18
EXTENDED MATURITY VALUE (18 years and 11 months from issue date) - (5/1/76)	**41.25**	**82.50**	**165.00**	**330.00**	**825.00**	**1,650.00**	**16,500**	[3] **4.70**	----------

[1] Month, day, and year on which issues of June 1, 1957, enter each period.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 4.21 percent.

TABLE 48

BONDS BEARING ISSUE DATES FROM JULY 1 THROUGH NOVEMBER 1, 1957

Issue price / **Denomination**	**$18.75** / **25.00**	**$37.50** / **50.00**	**$75.00** / **100.00**	**$150.00** / **200.00**	**$375.00** / **500.00**	**$750.00** / **1,000.00**	**$7,500** / **10,000**	Approximate investment yield	
Period after original maturity (beginning 8 years 11 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year [1] (6/1/66)	$25.91	$51.82	$103.64	$207.28	$518.20	$1,036.40	$10,364	0.00	4.15
½ to 1 year (12/1/66)	26.45	52.90	105.80	211.60	529.00	1,058.00	10,580	4.17	4.15
1 to 1½ years (6/1/67)	27.00	54.00	108.00	216.00	540.00	1,080.00	10,800	4.16	4.15
1½ to 2 years (12/1/67)	27.56	55.12	110.24	220.48	551.20	1,102.40	11,024	4.16	4.15
2 to 2½ years (6/1/68)	28.13	56.26	112.52	225.04	562.60	1,125.20	11,252	4.15	4.25
2½ to 3 years (12/1/68)	28.71	57.42	114.84	229.68	574.20	1,148.40	11,484	4.15	4.26
3 to 3½ years (6/1/69)	29.31	58.62	117.24	234.48	586.20	1,172.40	11,724	4.15	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
3½ to 4 years (12/1/69)	29.93	59.86	119.72	239.44	598.60	1,197.20	11,972	4.16	5.06
4 to 4½ years (6/1/70)	30.57	61.14	122.28	244.56	611.40	1,222.80	12,228	4.18	5.12
4½ to 5 years (12/1/70)	31.24	62.48	124.96	249.92	624.80	1,249.60	12,496	4.20	5.19
5 to 5½ years (6/1/71)	31.95	63.90	127.80	255.60	639.00	1,278.00	12,780	4.24	5.25
5½ to 6 years (12/1/71)	32.69	65.38	130.76	261.52	653.80	1,307.60	13,076	4.27	5.32
6 to 6½ years (6/1/72)	33.46	66.92	133.84	267.68	669.20	1,338.40	13,384	4.31	5.40
6½ to 7 years (12/1/72)	34.27	68.54	137.08	274.16	685.40	1,370.80	13,708	4.35	5.48
7 to 7½ years (6/1/73)	35.11	70.22	140.44	280.88	702.20	1,404.40	14,044	4.39	5.58
7½ to 8 years (12/1/73)	36.00	72.00	144.00	288.00	720.00	1,440.00	14,400	4.43	5.68
8 to 8½ years (6/1/74)	36.93	73.86	147.72	295.44	738.60	1,477.20	14,772	4.48	5.81
8½ to 9 years (12/1/74)	37.90	75.80	151.60	303.20	758.00	1,516.00	15,160	4.52	5.99
9 to 9½ years (6/1/75)	38.91	77.82	155.64	311.28	778.20	1,556.40	15,564	4.57	6.33
9½ to 10 years (12/1/75)	39.98	79.96	159.92	319.84	799.60	1,599.20	15,992	4.62	7.15
EXTENDED MATURITY VALUE (18 years and 11 months from issue date) (6/1/76)	**41.41**	**82.82**	**165.64**	**331.28**	**828.20**	**1,656.40**	**16,564**	[3] **4.74**	------------

[1] Month, day, and year on which issues of July 1, 1957, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 4.23 percent.

TABLE 49

BONDS BEARING ISSUE DATE DECEMBER 1, 1957

Issue price / Denomination	$18.75 / 25.00	$37.50 / 50.00	$75.00 / 100.00	$150.00 / 200.00	$375.00 / 500.00	$750.00 / 1,000.00	$7,500 / 10,000	Approximate investment yield	
Period after original maturity (beginning 8 years 11 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year....[1](11/1/66)	$26.03	$52.06	$104.12	$208.24	$520.60	$1,041.20	$10,412	0.00	4.15
½ to 1 year........(5/1/67)	26.57	53.14	106.28	212.56	531.40	1,062.80	10,628	4.15	4.15
1 to 1½ years....(11/1/67)	27.12	54.24	108.48	216.96	542.40	1,084.80	10,848	4.14	4.15
1½ to 2 years.....(5/1/68)	27.68	55.36	110.72	221.44	553.60	1,107.20	11,072	4.14	4.25
2 to 2½ years....(11/1/68)	28.26	56.52	113.04	226.08	565.20	1,130.40	11,304	4.15	4.26
2½ to 3 years.....(5/1/69)	28.85	57.70	115.40	230.80	577.00	1,154.00	11,540	4.16	4.26
3 to 3½ years....(11/1/69)	29.44	58.88	117.76	235.52	588.80	1,177.60	11,776	4.15	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
3½ to 4 years.....(5/1/70)	30.06	60.12	120.24	240.48	601.20	1,202 40	12,024	4 16	5.06
4 to 4½ years....(11/1/70)	30.71	61.42	122.84	245.68	614.20	1,228.40	12,284	4.18	5.12
4½ to 5 years.....(5/1/71)	31.38	62.76	125.52	251.04	627.60	1,255.20	12,552	4.20	5.19
5 to 5½ years....(11/1/71)	32.09	64.18	128.36	256.72	641.80	1,283.60	12,836	4.23	5.26
5½ to 6 years.....(5/1/72)	32.84	65 68	131.36	262.72	656.80	1,313.60	13,136	4.27	5.32
6 to 6½ years....(11/1/72)	33.61	67.22	134.44	268.88	672.20	1,344.40	13,444	4.31	5.40
6½ to 7 years.....(5/1/73)	34.43	68.86	137.72	275.44	688.60	1,377.20	13,772	4.35	5.48
7 to 7½ years....(11/1/73)	35.27	70.54	141.08	282.16	705.40	1,410.80	14,108	4.39	5.58
7½ to 8 years.....(5/1/74)	36.16	72.32	144.64	289.28	723.20	1,446.40	14,464	4.43	5.69
8 to 8½ years....(11/1/74)	37.09	74.18	148.36	296.72	741 80	1,483.60	14,836	4.48	5.82
8½ to 9 years.....(5/1/75)	38.06	76.12	152.24	304.48	761.20	1,522.40	15,224	4.52	6.02
9 to 9½ years....(11/1/75)	39.07	78.14	156.28	312.56	781.40	1,562.80	15,628	4.56	6.37
9½ to 10 years....(5/1/76)	40.14	80.28	160.56	321.12	802.80	1,605.60	16,056	4.61	7.27
EXTENDED MATURITY VALUE (18 years and 11 months from issue date).....(11/1/76)	**41.60**	**83.20**	**166.40**	**332.80**	**832.00**	**1,664.00**	**16,640**	[3] 4.74	....

[1] Month, day, and year on which issues of Dec. 1, 1957, enter each period.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 4.26 percent.

TABLE 50

BONDS BEARING ISSUE DATES FROM JANUARY 1 THROUGH MAY 1, 1958

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield	
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000		
Period after original maturity (beginning 8 years 11 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year.....[1](12/1/66)	$26.03	$52.06	$104.12	$208.24	$520.60	$1,041.20	$10,412	0.00	4.15
½ to 1 year........(6/1/67)	26.57	53.14	106.28	212.56	531.40	1,062.80	10,628	4.15	4.15
1 to 1½ years.....(12/1/67)	27.12	54.24	108.48	216.96	542.40	1,084.80	10,848	4.14	4.15
1½ to 2 years......(6/1/68)	27.68	55.36	110.72	221.44	553.60	1,107.20	11,072	4.14	4.25
2 to 2½ years.....(12/1/68)	28.26	56.52	113.04	226.08	565.20	1,130.40	11,304	4.15	4.26
2½ to 3 years......(6/1/69)	28.85	57.70	115.40	230.80	577.00	1,154.00	11,540	4.16	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
3 to 3½ years.....(12/1/69)	29.45	58.90	117.80	235.60	589.00	1,178.00	11,780	4.16	5.06
3½ to 4 years......(6/1/70)	30.08	60.16	120.32	240.64	601.60	1,203.20	12,032	4.17	5.12
4 to 4½ years.....(12/1/70)	30.75	61.50	123.00	246.00	615.00	1,230.00	12,300	4.21	5.17
4½ to 5 years......(6/1/71)	31.43	62.86	125.72	251.44	628.60	1,257.20	12,572	4.23	5.24
5 to 5½ years.....(12/1/71)	32.15	64.30	128.60	257.20	643.00	1,286.00	12,860	4.27	5.31
5½ to 6 years......(6/1/72)	32.91	65.82	131.64	263.28	658.20	1,316.40	13,164	4.31	5.37
6 to 6½ years.....(12/1/72)	33.70	67.40	134.80	269.60	674.00	1,348.00	13,480	4.35	5.45
6½ to 7 years......(6/1/73)	34.53	69.06	138.12	276.24	690.60	1,381.20	13,812	4.39	5.52
7 to 7½ years.....(12/1/73)	35.38	70.76	141.52	283.04	707.60	1,415.20	14,152	4.43	5.62
7½ to 8 years......(6/1/74)	36.28	72.56	145.12	290.24	725.60	1,451.20	14,512	4.48	5.73
8 to 8½ years.....(12/1/74)	37.23	74.46	148.92	297.84	744.60	1,489.20	14,892	4.52	5.85
8½ to 9 years......(6/1/75)	38.21	76.42	152.84	305.68	764.20	1,528.40	15,284	4.57	6.04
9 to 9½ years.....(12/1/75)	39.24	78.48	156.96	313.92	784.80	1,569.60	15,696	4.61	6.37
9½ to 10 years.....(6/1/76)	40.31	80.62	161.24	322.48	806.20	1,612.40	16,124	4.66	7.29
EXTENDED MATURITY VALUE (18 years and 11 months from issue date).....(12/1/76)	41.78	83.56	167.12	334.24	835.60	1,671.20	16,712	[3] 4.79	....

[1] Month, day, and year on which issues of Jan. 1, 1958, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 4.28 percent.

TABLE 51

BONDS BEARING ISSUE DATE JUNE 1, 1958

Issue price / Denomination	$18.75 / 25.00	$37.50 / 50.00	$75.00 / 100.00	$150.00 / 200.00	$375.00 / 500.00	$750.00 / 1,000.00	$7,500 / 10,000	Approximate investment yield: (2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
Period after original maturity (beginning 8 years 11 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD								
								Percent	Percent
First ½ year ..... [1] (5/1/67)	$26.14	$52.28	$104.56	$209.12	$522.80	$1,045.60	$10,456	0.00	4.15
½ to 1 year ......(11/1/67)	26.68	53.36	106.72	213.44	533.60	1,067.20	10,672	4.13	4.15
1 to 1½ years ......(5/1/68)	27.24	54.48	108.96	217.92	544.80	1,089.60	10,896	4.16	4.25
1½ to 2 years ....(11/1/68)	27.80	55.60	111.20	222.40	556.00	1,112.00	11,120	4.15	4.26
2 to 2½ years ......(5/1/69)	28.38	56.76	113.52	227.04	567.60	1,135.20	11,352	4.15	4.26
2½ to 3 years ....(11/1/69)	28.97	57.94	115.88	231.76	579.40	1,158.80	11,588	4.15	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
3 to 3½ years ......(5/1/70)	29.58	59.16	118.32	236.64	591.60	1,183.20	11,832	4.16	5.06
3½ to 4 years ....(11/1/70)	30.21	60.42	120.84	241.68	604.20	1,208.40	12,084	4.18	5.12
4 to 4½ years ......(5/1/71)	30.88	61.76	123.52	247.04	617.60	1,235.20	12,352	4.21	5.18
4½ to 5 years ....(11/1/71)	31.57	63.14	126.28	252.56	631.40	1,262.80	12,628	4.24	5.24
5 to 5½ years ......(5/1/72)	32.29	64.58	129.16	258.32	645.80	1,291.60	12,916	4.27	5.31
5½ to 6 years ....(11/1/72)	33.05	66.10	132.20	264.40	661.00	1,322.00	13,220	4.31	5.38
6 to 6½ years ......(5/1/73)	33.84	67.68	135.36	270.72	676.80	1,353.60	13,536	4.35	5.45
6½ to 7 years ....(11/1/73)	34.66	69.32	138.64	277.28	693.20	1,386.40	13,864	4.39	5.54
7 to 7½ years ......(5/1/74)	35.53	71.06	142.12	284.24	710.60	1,421.20	14,212	4.43	5.62
7½ to 8 years ....(11/1/74)	36.43	72.86	145.72	291.44	728.60	1,457.20	14,572	4.48	5.73
8 to 8½ years ......(5/1/75)	37.37	74.74	149.48	298.96	747.40	1,494.80	14,948	4.52	5.88
8½ to 9 years ....(11/1/75)	38.35	76.70	153.40	306.80	767.00	1,534.00	15,340	4.56	6.09
9 to 9½ years ......(5/1/76)	39.38	78.76	157.52	315.04	787.60	1,575.20	15,752	4.61	6.45
9½ to 10 years ...(11/1/76)	40.47	80.94	161.88	323.76	809.40	1,618.80	16,188	4.65	7.36
EXTENDED MATURITY VALUE (18 years and 11 months from issue date)......(5/1/77)	**41.96**	**83.92**	**167.84**	**335.68**	**839.20**	**1,678.40**	**16,784**	[3] 4.79	....

[1] Month, day, and year on which issues of June 1, 1958, enter each period.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 4.30 percent.

TABLE 52

BONDS BEARING ISSUE DATES FROM JULY 1 THROUGH NOVEMBER 1, 1958

Issue price	**$18.75**	**$37.50**	**$75.00**	**$150.00**	**$375.00**	**$750.00**	**$7,500**	Approximate investment yield	
Denomination	**25.00**	**50.00**	**100.00**	**200.00**	**500.00**	**1,000.00**	**10,000**		
Period after original maturity (beginning 8 years 11 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year [1] (6/1/67)	$26.14	$52.28	$104.56	$209.12	$522.80	$1,045.60	$10,456	0.00	4.15
½ to 1 year (12/1/67)	26.68	53.36	106.72	213.44	533.60	1,067.20	10,672	4.13	4.15
1 to 1½ years (6/1/68)	27.24	54.48	108.96	217.92	544.80	1,089.60	10,896	4.16	4.25
1½ to 2 years (12/1/68)	27.80	55.60	111.20	222.40	556.00	1,112.00	11,120	4.15	4.26
2 to 2½ years (6/1/69)	28.38	56.76	113.52	227.04	567.60	1,135.20	11,352	4.15	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
2½ to 3 years (12/1/69)	28.98	57.96	115.92	231.84	579.60	1,159.20	11,592	4.17	5.05
3 to 3½ years (6/1/70)	29.60	59.20	118.40	236.80	592.00	1,184.00	11,840	4.19	5.11
3½ to 4 years (12/1/70)	30.24	60.48	120.96	241.92	604.80	1,209.60	12,096	4.21	5.17
4 to 4½ years (6/1/71)	30.92	61.84	123.68	247.36	618.40	1,236.80	12,368	4.24	5.22
4½ to 5 years (12/1/71)	31.63	63.26	126.52	253.04	632.60	1,265.20	12,652	4.28	5.28
5 to 5½ years (6/1/72)	32.36	64.72	129.44	258.88	647.20	1,294.40	12,944	4.32	5.35
5½ to 6 years (12/1/72)	33.13	66.26	132.52	265.04	662.60	1,325.20	13,252	4.36	5.41
6 to 6½ years (6/1/73)	33.94	67.88	135.76	271.52	678.80	1,357.60	13,576	4.40	5.48
6½ to 7 years (12/1/73)	34.77	69.54	139.08	278.16	695.40	1,390.80	13,908	4.44	5.56
7 to 7½ years (6/1/74)	35.64	71.28	142.56	285.12	712.80	1,425.60	14,256	4.48	5.65
7½ to 8 years (12/1/74)	36.55	73.10	146.20	292.40	731.00	1,462.00	14,620	4.52	5.76
8 to 8½ years (6/1/75)	37.51	75.02	150.04	300.08	750.20	1,500.40	15,004	4.57	5.89
8½ to 9 years (12/1/75)	38.50	77.00	154.00	308.00	770.00	1,540.00	15,400	4.61	6.10
9 to 9½ years (6/1/76)	39.54	79.08	158.16	316.32	790.80	1,581.60	15,816	4.65	6.45
9½ to 10 years (12/1/76)	40.63	81.26	162.52	325.04	812.60	1,625.20	16,252	4.70	7.38
EXTENDED MATURITY VALUE (18 years and 11 months from issue date) (6/1/77)	**42.13**	**84.26**	**168.52**	**337.04**	**842.60**	**1,685.20**	**16,852**	[3] **4.83**	

[1] Month, day, and year on which issues of July 1, 1958, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 4.33 percent.

TABLE 53

BONDS BEARING ISSUE DATE DECEMBER 1, 1958

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield	
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000		
Period after original maturity (beginning 8 years 11 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year [1] (11/1/67)	$26.26	$52.52	$105.04	$210.08	$525.20	$1,050.40	$10,504	0.00	4.15
½ to 1 year (5/1/68)	26.80	53.60	107.20	214.40	536.00	1,072.00	10,720	4.11	4.25
1 to 1½ years (11/1/68)	27.36	54.72	109.44	218.88	547.20	1,094.40	10,944	4.15	4.26
1½ to 2 years (5/1/69)	27.93	55.86	111.72	223.44	558.60	1,117.20	11,172	4.15	4.26
2 to 2½ years (11/1/69)	28.51	57.02	114.04	228.08	570.20	1,140.40	11,404	4.15	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
2½ to 3 years (5/1/70)	29.11	58.22	116.44	232.88	582.20	1,164.40	11,644	4.16	5.05
3 to 3½ years (11/1/70)	29.73	59.46	118.92	237.84	594.60	1,189.20	11,892	4.18	5.11
3½ to 4 years (5/1/71)	30.38	60.76	121.52	243.04	607.60	1,215.20	12,152	4.21	5.17
4 to 4½ years (11/1/71)	31.06	62.12	124.24	248.48	621.20	1,242.40	12,424	4.24	5.22
4½ to 5 years (5/1/72)	31.77	63.54	127.08	254.16	635.40	1,270.80	12,708	4.28	5.28
5 to 5½ years (11/1/72)	32.51	65.02	130.04	260.08	650.20	1,300.40	13,004	4.32	5.34
5½ to 6 years (5/1/73)	33.28	66.56	133.12	266.24	665.60	1,331.20	13,312	4.35	5.41
6 to 6½ years (11/1/73)	34.08	68.16	136.32	272.64	681.60	1,363.20	13,632	4.39	5.49
6½ to 7 years (5/1/74)	34.92	69.84	139.68	279.36	698.40	1,396.80	13,968	4.43	5.57
7 to 7½ years (11/1/74)	35.80	71.60	143.20	286.40	716.00	1,432.00	14,320	4.48	5.66
7½ to 8 years (5/1/75)	36.71	73.42	146.84	293.68	734.20	1,468.40	14,684	4.52	5.77
8 to 8½ years (11/1/75)	37.67	75.34	150.68	301.36	753.40	1,506.80	15,068	4.56	5.91
8½ to 9 years (5/1/76)	38.66	77.32	154.64	309.28	773.20	1,546.40	15,464	4.60	6.12
9 to 9½ years (11/1/76)	39.71	79.42	158.84	317.68	794.20	1,588.40	15,884	4.65	6.47
9½ to 10 years (5/1/77)	40.78	81.56	163.12	326.24	815.60	1,631.20	16,312	4.69	7.55
EXTENDED MATURITY VALUE (18 years and 11 months from issue date) (11/1/77)	**42.32**	**84.64**	**169.28**	**338.56**	**846.40**	**1,692.80**	**16,928**	[3] **4.83**	----------

[1] Month, day, and year on which issues of Dec. 1, 1958, enter each period.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 4.35 percent.

TABLE 54

BONDS BEARING ISSUE DATES FROM JANUARY 1 THROUGH MAY 1, 1959

Issue price	**$18.75**	**$37.50**	**$75.00**	**$150.00**	**$375.00**	**$750.00**	**$7,500**	Approximate investment yield	
Denomination	**25.00**	**50.00**	**100.00**	**200.00**	**500.00**	**1,000.00**	**10,000**		
Period after original maturity (beginning 8 years 11 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year [1] (12/1/67)	$26.26	$52.52	$105.04	$210.08	$525.20	$1,050.40	$10,504	0.00	4.15
½ to 1 year (6/1/68)	26.80	53.60	107.20	214.40	536.00	1,072.00	10,720	4.11	4.25
1 to 1½ years (12/1/68)	27.36	54.72	109.44	218.88	547.20	1,094.40	10,944	4.15	4.26
1½ to 2 years (6/1/69)	27.93	55.86	111.72	223.44	558.60	1,117.20	11,172	4.15	5.00
Redemption values and investment yields, to extended maturity on basis of June 1, 1969, revision									
2 to 2½ years (12/1/69)	28.52	57.04	114.08	228.16	570.40	1,140.80	11,408	4.17	5.05
2½ to 3 years (6/1/70)	29.12	58.24	116.48	232.96	582.40	1,164.80	11,648	4.18	5.11
3 to 3½ years (12/1/70)	29.76	59.52	119.04	238.08	595.20	1,190.40	11,904	4.21	5.16
3½ to 4 years (6/1/71)	30.42	60.84	121.68	243.36	608.40	1,216.80	12,168	4.25	5.21
4 to 4½ years (12/1/71)	31.11	62.22	124.44	248.88	622.20	1,244.40	12,444	4.28	5.27
4½ to 5 years (6/1/72)	31.83	63.66	127.32	254.64	636.60	1,273.20	12,732	4.32	5.33
5 to 5½ years (12/1/72)	32.59	65.18	130.36	260.72	651.80	1,303.60	13,036	4.37	5.38
5½ to 6 years (6/1/73)	33.37	66.74	133.48	266.96	667.40	1,334.80	13,348	4.40	5.45
6 to 6½ years (12/1/73)	34.18	68.36	136.72	273.44	683.60	1,367.20	13,672	4.44	5.52
6½ to 7 years (6/1/74)	35.03	70.06	140.12	280.24	700.60	1,401.20	14,012	4.48	5.60
7 to 7½ years (12/1/74)	35.92	71.84	143.68	287.36	718.40	1,436.80	14,368	4.53	5.69
7½ to 8 years (6/1/75)	36.84	73.68	147.36	294.72	736.80	1,473.60	14,736	4.57	5.80
8 to 8½ years (12/1/75)	37.81	75.62	151.24	302.48	756.20	1,512.40	15,124	4.61	5.93
8½ to 9 years (6/1/76)	38.81	77.62	155.24	310.48	776.20	1,552.40	15,524	4.65	6.15
9 to 9½ years (12/1/76)	39.86	79.72	159.44	318.88	797.20	1,594.40	15,944	4.69	6.52
9½ to 10 years (6/1/77)	40.95	81.90	163.80	327.60	819.00	1,638.00	16,380	4.73	7.57
EXTENDED MATURITY VALUE (18 years and 11 months from issue date) (12/1/77)	**42.50**	**85.00**	**170.00**	**340.00**	**850.00**	**1,700.00**	**17,000**	[3] 4.87	

[1] Month, day, and year on which issues of Jan. 1, 1959, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 4.37 percent.

TABLE 55

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH AUGUST 1, 1959

Issue price / Denomination	$18.75 / 25.00	$37.50 / 50.00	$75.00 / 100.00	$150.00 / 200.00	$375.00 / 500.00	$750.00 / 1,000.00	$7,500 / 10,000	Approximate investment yield	
Period after original maturity (beginning 7 years 9 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year [1] (3/1/67)	$25.13	$50.26	$100.52	$201.04	$502.60	$1,005.20	$10,052	0.00	4.15
½ to 1 year (9/1/67)	25.65	51.30	102.60	205.20	513.00	1,026.00	10,260	4.14	4.15
1 to 1½ years (3/1/68)	26.18	52.36	104.72	209.44	523.60	1,047.20	10,472	4.14	4.25
1½ to 2 years (9/1/68)	26.73	53.46	106.92	213.84	534.60	1,069.20	10,692	4.16	4.25
2 to 2½ years (3/1/69)	27.28	54.56	109.12	218.24	545.60	1,091.20	10,912	4.15	4.26
2½ to 3 years (9/1/69)	27.85	55.70	111.40	222.80	557.00	1,114.00	11,140	4.15	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
3 to 3½ years (3/1/70)	28.44	56.88	113.76	227.52	568.80	1,137.60	11,376	4.17	5.06
3½ to 4 years (9/1/70)	29.05	58.10	116.20	232.40	581.00	1,162.00	11,620	4.18	5.12
4 to 4½ years (3/1/71)	29.68	59.36	118.72	237.44	593.60	1,187.20	11,872	4.20	5.18
4½ to 5 years (9/1/71)	30.35	60.70	121.40	242.80	607.00	1,214.00	12,140	4.24	5.24
5 to 5½ years (3/1/72)	31.04	62.08	124.16	248.32	620.80	1,241.60	12,416	4.27	5.31
5½ to 6 years (9/1/72)	31.77	63.54	127.08	254.16	635.40	1,270.80	12,708	4.31	5.38
6 to 6½ years (3/1/73)	32.53	65.06	130.12	260.24	650.60	1,301.20	13,012	4.35	5.45
6½ to 7 years (9/1/73)	33.32	66.64	133.28	266.56	666.40	1,332.80	13,328	4.39	5.54
7 to 7½ years (3/1/74)	34.15	68.30	136.60	273.20	683.00	1,366.00	13,660	4.43	5.63
7½ to 8 years (9/1/74)	35.03	70.06	140.12	280.24	700.60	1,401.20	14,012	4.48	5.73
8 to 8½ years (3/1/75)	35.93	71.86	143.72	287.44	718.60	1,437.20	14,372	4.52	5.87
8½ to 9 years (9/1/75)	36.87	73.74	147.48	294.96	737.40	1,474.80	14,748	4.56	6.09
9 to 9½ years (3/1/76)	37.87	75.74	151.48	302.96	757.40	1,514.80	15,148	4.61	6.42
9½ to 10 years (9/1/76)	38.90	77.80	155.60	311.20	778.00	1,556.00	15,560	4.65	7.40
EXTENDED MATURITY VALUE (17 years and 9 months from issue date) (3/1/77)	**40.34**	**80.68**	**161.36**	**322.72**	**806.80**	**1,613.60**	**16,136**	[3] **4.79**	

[1] Month, day, and year on which issues of June 1, 1959, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 4.36 percent.

TABLE 56

BONDS BEARING ISSUE DATES FROM SEPTEMBER 1 THROUGH NOVEMBER 1, 1959

Issue price	**$18.75**	**$37.50**	**$75.00**	**$150.00**	**$375.00**	**$750.00**	**$7,500**	Approximate investment yield	
Denomination	**25.00**	**50.00**	**100.00**	**200.00**	**500.00**	**1,000.00**	**10,000**		
Period after original maturity (beginning 7 years 9 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year [1](6/1/67)	$25.13	$50.26	$100.52	$201.04	$502.60	$1,005.20	$10,052	0.00	4.15
½ to 1 year (12/1/67)	25.65	51.30	102.60	205.20	513.00	1,026.00	10,260	4.14	4.15
1 to 1½ years (6/1/68)	26.18	52.36	104.72	209.44	523.60	1,047.20	10,472	4.14	4.25
1½ to 2 years (12/1/68)	26.73	53.46	106.92	213.84	534.60	1,069.20	10,692	4.16	4.25
2 to 2½ years (6/1/69)	27.28	54.56	109.12	218.24	545.60	1,091.20	10,912	4.15	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
2½ to 3 years (12/1/69)	27.86	55.72	111.44	222.88	557.20	1,114.40	11,144	4.17	5.05
3 to 3½ years (6/1/70)	28.46	56.92	113.84	227.68	569.20	1,138.40	11,384	4.19	5.10
3½ to 4 years (12/1/70)	29.08	58.16	116.32	232.64	581.60	1,163.20	11,632	4.21	5.16
4 to 4½ years (6/1/71)	29.73	59.46	118.92	237.84	594.60	1,189.20	11,892	4.25	5.22
4½ to 5 years (12/1/71)	30.40	60.80	121.60	243.20	608.00	1,216.00	12,160	4.28	5.28
5 to 5½ years (6/1/72)	31.11	62.22	124.44	248.88	622.20	1,244.40	12,444	4.32	5.35
5½ to 6 years (12/1/72)	31.85	63.70	127.40	254.80	637.00	1,274.00	12,740	4.36	5.41
6 to 6½ years (6/1/73)	32.62	65.24	130.48	260.96	652.40	1,304.80	13,048	4.40	5.48
6½ to 7 years (12/1/73)	33.42	66.84	133.68	267.36	668.40	1,336.80	13,368	4.43	5.57
7 to 7½ years (6/1/74)	34.26	68.52	137.04	274.08	685.20	1,370.40	13,704	4.48	5.66
7½ to 8 years (12/1/74)	35.15	70.30	140.60	281.20	703.00	1,406.00	14,060	4.52	5.75
8 to 8½ years (6/1/75)	36.06	72.12	144.24	288.48	721.20	1,442.40	14,424	4.57	5.89
8½ to 9 years (12/1/75)	37.01	74.02	148.04	296.08	740.20	1,480.40	14,804	4.61	6.10
9 to 9½ years (6/1/76)	38.01	76.02	152.04	304.08	760.20	1,520.40	15,204	4.65	6.45
9½ to 10 years (12/1/76)	39.05	78.10	156.20	312.40	781.00	1,562.00	15,620	4.69	7.43
EXTENDED MATURITY VALUE (17 years and 9 months from issue date) (6/1/77)	40.50	81.00	162.00	324.00	810.00	1,620.00	16,200	[3] 4.83	------------

[1] Month, day, and year on which issues of Sept. 1, 1959, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity dato is 4.39 percent.

TABLE 57

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1959, THROUGH FEBRUARY 1, 1960

Issue price / Denomination	$18.75 / 25.00	$37.50 / 50.00	$75.00 / 100.00	$150.00 / 200.00	$375.00 / 500.00	$750.00 / 1,000.00	$7,500 / 10,000	Approximate investment yield	
Period after original maturity (beginning 7 years 9 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	Percent
First ½ year....[1] (9/1/67)	$25.18	$50.36	$100.72	$201.44	$503.60	$1,007.20	$10,072	0.00	4.15
½ to 1 year........(3/1/68)	25.70	51.40	102.80	205.60	514.00	1,028.00	10,280	4.13	4.25
1 to 1½ years......(9/1/68)	26.24	52.48	104.96	209.92	524.80	1,049.60	10,496	4.17	4.26
1½ to 2 years......(3/1/69)	26.78	53.56	107.12	214.24	535.60	1,071.20	10,712	4.15	4.26
2 to 2½ years......(9/1/69)	27.34	54.68	109.36	218.72	546.80	1,093.60	10,936	4.16	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
2½ to 3 years......(3/1/70)	27.91	55.82	111.64	223.28	558.20	1,116.40	11,164	4.16	5.06
3 to 3½ years......(9/1/70)	28.51	57.02	114.04	228.08	570.20	1,140.40	11,404	4.18	5.11
3½ to 4 years......(3/1/71)	29.13	58.26	116.52	233.04	582.60	1,165.20	11,652	4.21	5.17
4 to 4½ years......(9/1/71)	29.79	59.58	119.16	238.32	595.80	1,191.60	11,916	4.25	5.22
4½ to 5 years......(3/1/72)	30.46	60.92	121.84	243.68	609.20	1,218 40	12,184	4.28	5.29
5 to 5½ years......(9/1/72)	31.17	62.34	124.68	249.36	623.40	1,246.80	12,468	4.31	5.35
5½ to 6 years......(3/1/73)	31.91	63.82	127.64	255.28	638.20	1,276.40	12,764	4.35	5.42
6 to 6½ years......(9/1/73)	32.68	65.36	130.72	261.44	653.60	1,307.20	13,072	4.39	5.49
6½ to 7 years......(3/1/74)	33.49	66.98	133.96	267.92	669.80	1,339.60	13,396	4.44	5.57
7 to 7½ years......(9/1/74)	34.33	68.66	137.32	274.64	686.60	1,373.20	13,732	4.48	5.66
7½ to 8 years......(3/1/75)	35.20	70.40	140.80	281.60	704.00	1,408.00	14,080	4.52	5.78
8 to 8½ years......(9/1/75)	36.12	72.24	144.48	288.96	722.40	1,444.80	14,448	4.56	5.92
8½ to 9 years......(3/1/76)	37.08	74.16	148.32	296.64	741.60	1,483.20	14,832	4.61	6.12
9 to 9½ years......(9/1/76)	38.07	76.14	152.28	304.56	761.40	1,522.80	15,228	4.65	6.51
9½ to 10 years.....(3/1/77)	39.12	78.24	156.48	312.96	782.40	1,564.80	15,648	4.69	7.52
EXTENDED MATURITY VALUE (17 years and 9 months from issue date).(9/1/77)	**40.59**	**81.18**	**162.36**	**324.72**	**811.80**	**1,623.60**	**16,236**	[3] 4.83	....

[1] Month, day, and year on which issues of Dec. 1, 1959, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 4.40 percent.

TABLE 58

BONDS BEARING ISSUE DATES FROM MARCH 1 THROUGH MAY 1, 1960

Issue price	**$18.75**	**$37.50**	**$75.00**	**$150.00**	**$375.00**	**$750.00**	**$7,500**	Approximate investment yield	
Denomination	**25.00**	**50.00**	**100.00**	**200.00**	**500.00**	**1,000.00**	**10,000**		
Period after original maturity (beginning 7 years 9 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year [1](12/1/67)	$25.18	$50.36	$100.72	$201.44	$503.60	$1,007.20	$10,072	0.00	[2] 4.15
½ to 1 year (6/1/68)	25.70	51.40	102.80	205.60	514.00	1,028.00	10,280	4.13	4.25
1 to 1½ years (12/1/68)	26.24	52.48	104.96	209.92	524.80	1,049.60	10,496	4.17	4.26
1½ to 2 years (6/1/69)	26.78	53.56	107.12	214.24	535.60	1,071.20	10,712	4.15	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
2 to 2½ years (12/1/69)	27.35	54.70	109.40	218.80	547.00	1,094.00	10,940	4.18	5.05
2½ to 3 years (6/1/70)	27.92	55.84	111.68	223.36	558.40	1,116.80	11,168	4.17	5.11
3 to 3½ years (12/1/70)	28.53	57.06	114.12	228.24	570.60	1,141.20	11,412	4.21	5.16
3½ to 4 years (6/1/71)	29.17	58.34	116.68	233.36	583.40	1,166.80	11,668	4.25	5.21
4 to 4½ years (12/1/71)	29.84	59.68	119.36	238.72	596.80	1,193.60	11,936	4.29	5.26
4½ to 5 years (6/1/72)	30.52	61.04	122.08	244.16	610.40	1,220.80	12,208	4.32	5.33
5 to 5½ years (12/1/72)	31.24	62.48	124 96	249.92	624.80	1,249.60	12,496	4.36	5.39
5½ to 6 years (6/1/73)	31.99	63.98	127.96	255.92	639.80	1,279.60	12,796	4.40	5.45
6 to 6½ years (12/1/73)	32.78	65.56	131.12	262.24	655.60	1,311.20	13,112	4.44	5.52
6½ to 7 years (6/1/74)	33.59	67.18	134.36	268.72	671.80	1,343.60	13,436	4.48	5.60
7 to 7½ years (12/1/74)	34.44	68.88	137.76	275.52	688.80	1,377.60	13,776	4.52	5.69
7½ to 8 years (6/1/75)	35.32	70.64	141.28	282.56	706.40	1,412.80	14,128	4.56	5.80
8 to 8½ years (12/1/75)	36.26	72.52	145.04	290.08	725.20	1,450.40	14,504	4.61	5.92
8½ to 9 years (6/1/76)	37.21	74.42	148.84	297.68	744.20	1,488.40	14,884	4.65	6.15
9 to 9½ years (12/1/76)	38.22	76.44	152.88	305.76	764.40	1,528.80	15,288	4.69	6.51
9½ to 10 years (6/1/77)	39.27	78.54	157.08	314.16	785.40	1,570.80	15,708	4.73	7.54
EXTENDED MATURITY VALUE (17 years and 9 months from issue date) (12/1/77)	**40.75**	**81.50**	**163.00**	**326.00**	**815.00**	**1,630.00**	**16,300**	[3]4.87	

[1] Month, day, and year on which issues of Mar. 1, 1960, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 4.42 percent.

TABLE 59

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH AUGUST 1, 1960

Issue price / **Denomination**	$18.75 / 25.00	$37.50 / 50.00	$75.00 / 100.00	$150.00 / 200.00	$375.00 / 500.00	$750.00 / 1,000.00	$7,500 / 10,000	Approximate investment yield	
Period after original maturity (beginning 7 years 9 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year......[1] (3/1/68)	$25.23	$50.46	$100.92	$201.84	$504.60	$1,009.20	$10,092	0.00	4.25
½ to 1 year........(9/1/68)	25.75	51.50	103.00	206.00	515.00	1,030.00	10,300	4.12	4.26
1 to 1½ years......(3/1/69)	26.29	52.58	105.16	210.32	525.80	1,051.60	10,516	4.16	4.26
1½ to 2 years......(9/1/69)	26.83	53.66	107.32	214.64	536.60	1,073.20	10,732	4.14	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
2 to 2½ years......(3/1/70)	27.40	54.80	109.60	219.20	548.00	1,096.00	10,960	4.17	5.05
2½ to 3 years......(9/1/70)	27.98	55.96	111.92	223.84	559.60	1,119.20	11,192	4.18	5.10
3 to 3½ years......(3/1/71)	28.59	57.18	114.36	228.72	571.80	1,143.60	11,436	4.21	5.16
3½ to 4 years......(9/1/71)	29.23	58.46	116.92	233.84	584.60	1,169.20	11,692	4.25	5.21
4 to 4½ years......(3/1/72)	29.90	59.80	119.60	239.20	598.00	1,196.00	11,960	4.29	5.26
4½ to 5 years......(9/1/72)	30.58	61.16	122.32	244.64	611.60	1,223.20	12,232	4.32	5.33
5 to 5½ years......(3/1/73)	31.30	62.60	125.20	250.40	626.00	1,252.00	12,520	4.36	5.39
5½ to 6 years......(9/1/73)	32.05	64.10	128.20	256.40	641.00	1,282.00	12,820	4.40	5.45
6 to 6½ years......(3/1/74)	32.83	65.66	131.32	262.64	656.60	1,313.20	13,132	4.44	5.53
6½ to 7 years......(9/1/74)	33.65	67.30	134.60	269.20	673.00	1,346.00	13,460	4.48	5.60
7 to 7½ years......(3/1/75)	34.50	69.00	138.00	276.00	690.00	1,380.00	13,800	4.52	5.69
7½ to 8 years......(9/1/75)	35.39	70.78	141.56	283.12	707.80	1,415.60	14,156	4.56	5.80
8 to 8½ years......(3/1/76)	36.32	72.64	145.28	290.56	726.40	1,452.80	14,528	4.61	5.94
8½ to 9 years......(9/1/76)	37.28	74.56	149.12	298.24	745.60	1,491.20	14,912	4.65	6.16
9 to 9½ years......(3/1/77)	38.28	76.56	153.12	306.24	765.60	1,531.20	15,312	4.69	6.55
9½ to 10 years.....(9/1/77)	39.33	78.66	157.32	314.64	786.60	1,573.20	15,732	4.73	7.63
EXTENDED MATURITY VALUE (17 years and 9 months from issue date)......(3/1/78)	40.83	81.66	163.32	326.64	816.60	1,633.20	16,332	[3] 4.87	....

[1] Month, day, and year on which issues of June 1, 1960, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 4.43 percent.

TABLE 60

BONDS BEARING ISSUE DATES FROM SEPTEMBER 1 THROUGH NOVEMBER 1, 1960

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield	
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000		
Period after original maturity (beginning 7 years 9 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year.....[1](6/1/68)	$25.23	$50.46	$100.92	$201.84	$504.60	$1,009.20	$10,092	0.00	4.25
½ to 1 year......(12/1/68)	25.75	51.50	103.00	206.00	515.00	1,030.00	10,300	4.12	4.26
1 to 1½ years.....(6/1/69)	26.29	52.58	105.16	210.32	525.80	1,051.60	10,516	4.16	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
1½ to 2 years....(12/1/69)	26.84	53.68	107.36	214.72	536.80	1,073.60	10,736	4.17	5.05
2 to 2½ years.....(6/1/70)	27.41	54.82	109.64	219.28	548.20	1,096.40	10,964	4.19	5.10
2½ to 3 years....(12/1/70)	28.01	56.02	112.04	224.08	560.20	1,120.40	11,204	4.23	5.15
3 to 3½ years.....(6/1/71)	28.63	57.26	114.52	229.04	572.60	1,145.20	11,452	4.26	5.20
3½ to 4 years....(12/1/71)	29.28	58.56	117.12	234.24	585.60	1,171.20	11,712	4.30	5.25
4 to 4½ years.....(6/1/72)	29.96	59.92	119.84	239.68	599.20	1,198.40	11,984	4.34	5.30
4½ to 5 years....(12/1/72)	30.65	61.30	122.60	245.20	613.00	1,226.00	12,260	4.37	5.36
5 to 5½ years.....(6/1/73)	31.38	62.76	125.52	251.04	627.60	1,255.20	12,552	4.41	5.42
5½ to 6 years....(12/1/73)	32.14	64.28	128.56	257.12	642.80	1,285.60	12,856	4.45	5.48
6 to 6½ years.....(6/1/74)	32.94	65.88	131.76	263.52	658.80	1,317.60	13,176	4.49	5.55
6½ to 7 years....(12/1/74)	33.76	67.52	135.04	270.08	675.20	1,350.40	13,504	4.53	5.63
7 to 7½ years.....(6/1/75)	34.62	69.24	138.48	276.96	692.40	1,384.80	13,848	4.57	5.72
7½ to 8 years....(12/1/75)	35.52	71.04	142.08	284.16	710.40	1,420.80	14,208	4.61	5.82
8 to 8½ years.....(6/1/76)	36.46	72.92	145.84	291.68	729.20	1,458.40	14,584	4.66	5.95
8½ to 9 years....(12/1/76)	37.43	74.86	149.72	299.44	748.60	1,497.20	14,972	4.69	6.17
9 to 9½ years.....(6/1/77)	38.44	76.88	153.76	307.52	768.80	1,537.60	15,376	4.73	6.55
9½ to 10 years..(12/1/77)	39.50	79.00	158.00	316.00	790.00	1,580.00	15,800	4.77	7.59
EXTENDED MATURITY VALUE (17 years and 9 months from issue date)......(6/1/78)	**41.00**	**82.00**	**164.00**	**328.00**	**820.00**	**1,640.00**	**16,400**	**4.91**	....

[1] Month, day, and year on which issues of Sept. 1, 1960 enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 4.46 percent.

TABLE 61

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1960, THROUGH FEBRUARY 1, 1961

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield	
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000		
Period after original maturity (beginning 7 years 9 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year [1](9/1/68)	$25.28	$50.56	$101.12	$202.24	$505.60	$1,011.20	$10,112	0.00	4.25
½ to 1 year (3/1/69)	25.80	51.60	103.20	206.40	516.00	1,032.00	10,320	4.11	4.26
1 to 1½ years (9/1/69)	26.34	52.68	105.36	210.72	526.80	1,053.60	10,536	4.15	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
1½ to 2 years (3/1/70)	26.90	53.80	107.60	215.20	538.00	1,076.00	10,760	4.18	5.04
2 to 2½ years (9/1/70)	27.47	54.94	109.88	219.76	549.40	1,098.80	10,988	4.20	5.09
2½ to 3 years (3/1/71)	28.06	56.12	112.24	224.48	561.20	1,122.40	11,224	4.22	5.15
3 to 3½ years (9/1/71)	28.69	57.38	114.76	229.52	573.80	1,147.60	11,476	4.26	5.19
3½ to 4 years (3/1/72)	29.34	58.68	117.36	234.72	586.80	1,173.60	11,736	4.30	5.25
4 to 4½ years (9/1/72)	30.01	60.02	120.04	240.08	600.20	1,200.40	12,004	4.33	5.30
4½ to 5 years (3/1/73)	30.71	61.42	122.84	245.68	614.20	1,228.40	12,284	4.37	5.36
5 to 5½ years (9/1/73)	31.44	62.88	125.76	251.52	628.80	1,257.60	12,576	4.41	5.42
5½ to 6 years (3/1/74)	32.21	64.42	128.84	257.68	644.20	1,288.40	12,884	4.45	5.48
6 to 6½ years (9/1/74)	33.00	66.00	132.00	264.00	660.00	1,320.00	13,200	4.49	5.55
6½ to 7 years (3/1/75)	33.83	67.66	135.32	270.64	676.60	1,353.20	13,532	4.53	5.63
7 to 7½ years (9/1/75)	34.69	69.38	138.76	277.52	693.80	1,387.60	13,876	4.57	5.72
7½ to 8 years (3/1/76)	35.59	71.18	142.36	284.72	711.80	1,423.60	14,236	4.61	5.82
8 to 8½ years (9/1/76)	36.52	73.04	146.08	292.16	730.40	1,460.80	14,608	4.65	5.97
8½ to 9 years (3/1/77)	37.50	75.00	150.00	300.00	750.00	1,500.00	15,000	4.69	6.17
9 to 9½ years (9/1/77)	38.52	77.04	154.08	308.16	770.40	1,540.80	15,408	4.73	6.54
9½ to 10 years (3/1/78)	39.59	79.18	158.36	316.72	791.80	1,583.60	15,836	4.78	7.53
EXTENDED MATURITY VALUE (17 years and 9 months from issue date) (9/1/78)	**41.08**	**82.16**	**164.32**	**328.64**	**821.60**	**1,643.20**	**16,432**	[3] **4.91**	

[1] Month, day, and year on which issues of Dec. 1, 1960, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 4.47 percent.

TABLE 62

BONDS BEARING ISSUE DATES FROM MARCH 1 THROUGH MAY 1, 1961

Issue price	**$18.75**	**$37.50**	**$75.00**	**$150.00**	**$375.00**	**$750.00**	**$7,500**	Approximate investment yield	
Denomination	**25.00**	**50.00**	**100.00**	**200.00**	**500.00**	**1,000.00**	**10,000**		
Period after original maturity (beginning 7 years 9 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) — EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year [1] (12/1/68)	$25.28	$50.56	$101.12	$202.24	$505.60	$1,011.20	$10,112	0.00	4.25
½ to 1 year (6/1/69)	25.80	51.60	103.20	206.40	516.00	1,032.00	10,320	4.11	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
1 to 1½ years (12/1/69)	26.35	52.70	105.40	210.80	527.00	1,054.00	10,540	4.19	5.04
1½ to 2 years (6/1/70)	26.91	53.82	107.64	215.28	538.20	1,076.40	10,764	4.21	5.09
2 to 2½ years (12/1/70)	27.49	54.98	109.96	219.92	549.80	1,099.60	10,996	4.23	5.14
2½ to 3 years (6/1/71)	28.10	56.20	112.40	224.80	562.00	1,124.00	11,240	4.28	5.18
3 to 3½ years (12/1/71)	28.74	57.48	114.96	229.92	574.80	1,149.60	11,496	4.32	5.23
3½ to 4 years (6/1/72)	29.39	58.78	117.56	235.12	587.80	1,175.60	11,756	4.35	5.28
4 to 4½ years (12/1/72)	30.07	60.14	120.28	240.56	601.40	1,202.80	12,028	4.39	5.34
4½ to 5 years (6/1/73)	30.79	61.58	123.16	246.32	615.80	1,231.60	12,316	4.43	5.39
5 to 5½ years (12/1/73)	31.53	63.06	126.12	252.24	630.60	1,261.20	12,612	4.47	5.45
5½ to 6 years (6/1/74)	32.30	64.60	129.20	258.40	646.00	1,292.00	12,920	4.51	5.51
6 to 6½ years (12/1/74)	33.11	66.22	132.44	264.88	662.20	1,324.40	13,244	4.55	5.57
6½ to 7 years (6/1/75)	33.94	67.88	135.76	271.52	678.80	1,357.60	13,576	4.58	5.65
7 to 7½ years (12/1/75)	34.81	69.62	139.24	278.48	696.20	1,392.40	13,924	4.62	5.74
7½ to 8 years (6/1/76)	35.72	71.44	142.88	285.76	714.40	1,428.80	14,288	4.66	5.84
8 to 8½ years (12/1/76)	36.66	73.32	146.64	293.28	733.20	1,466.40	14,664	4.70	5.99
8½ to 9 years (6/1/77)	37.64	75.28	150.56	301.12	752.80	1,505.60	15,056	4.74	6.20
9 to 9½ years (12/1/77)	38.67	77.34	154.68	309.36	773.40	1,546.80	15,468	4.78	6.56
9½ to 10 years (6/1/78)	39.74	79.48	158.96	317.92	794.80	1,589.60	15,896	4.82	7.60
EXTENDED MATURITY VALUE (17 years and 9 months from issue date) (12/1/78)	**41.25**	**82.50**	**165.00**	**330.00**	**825.00**	**1,650.00**	**16,500**	[3] 4.96	----------

[1] Month, day, and year on which issues of Mar. 1, 1961, enter each period. For subsequent issue months add the appropriate number of months.

[2] Based on extended maturity value in effect on the beginning date of the half-year period.

[3] Yield on purchase price from issue date to extended maturity date is 4.49 percent.

TABLE 63

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH AUGUST 1, 1961

Issue price	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield	
Denomination	25.00	50.00	100.00	200.00	500.00	1,000.00	10,000		
Period after original maturity (beginning 7 years 9 months after issue date)	(1) Redemption values during each half-year period (values increase on first day of period shown) EXTENDED MATURITY PERIOD							(2) On the redemption value at start of the extended maturity period to the beginning of each half-year period thereafter	(3) On current redemption value from beginning of each half-year period to extended maturity [2]
								Percent	*Percent*
First ½ year [1] ....(3/1/69)	$25.34	$50.68	$101.36	$202.72	$506.80	$1,013.60	10,136	0.00	4.25
½ to 1 year........(9/1/69)	25.87	51.74	103.48	206.96	517.40	1,034.80	10,348	4.18	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
1 to 1½ years......(3/1/70)	26.41	52.82	105.64	211.28	528.20	1,056.40	10,564	4.18	5.05
1½ to 2 years......(9/1/70)	26.97	53.94	107.88	215.76	539.40	1,078.80	10,788	4.20	5.09
2 to 2½ years......(3/1/71)	27.56	55.12	110.24	220.48	551.20	1,102.40	11,024	4.24	5.14
2½ to 3 years......(9/1/71)	28.17	56.34	112.68	225.36	563.40	1,126.80	11,268	4.28	5.19
3 to 3½ years......(3/1/72)	28.80	57.60	115.20	230.40	576.00	1,152.00	11,520	4.31	5.24
3½ to 4 years......(9/1/72)	29.46	58.92	117.84	235.68	589.20	1,178.40	11,784	4.35	5.29
4 to 4½ years......(3/1/73)	30.15	60.30	120.60	241.20	603.00	1,206.00	12,060	4.39	5.34
4½ to 5 years......(9/1/73)	30.86	61.72	123.44	246.88	617.20	1,234.40	12,344	4.43	5.40
5 to 5½ years......(3/1/74)	31.61	63.22	126.44	252.88	632.20	1,264.40	12,644	4.47	5.45
5½ to 6 years......(9/1/74)	32.38	64.76	129.52	259.04	647.60	1,295.20	12,952	4.51	5.51
6 to 6½ years......(3/1/75)	33.19	66.38	132.76	265.52	663.80	1,327.60	13,276	4.55	5.58
6½ to 7 years......(9/1/75)	34.03	68.06	136.12	272.24	680.60	1,361.20	13,612	4.59	5.65
7 to 7½ years......(3/1/76)	34.90	69.80	139.60	279.20	698.00	1,396.00	13,960	4.63	5.74
7½ to 8 years......(9/1/76)	35.81	71.62	143.24	286.48	716.20	1,432.40	14,324	4.66	5.85
8 to 8½ years......(3/1/77)	36.76	73.52	147.04	294.08	735.20	1,470.40	14,704	4.70	5.98
8½ to 9 years......(9/1/77)	37.75	75.50	151.00	302.00	755.00	1,510.00	15,100	4.74	6.18
9 to 9½ years......(3/1/78)	38.77	77.54	155.08	310.16	775.40	1,550.80	15,508	4.78	6.57
9½ to 10 years....(9/1/78)	39.84	79.68	159.36	318.72	796.80	1,593.60	15,936	4.82	7.63
EXTENDED MATURITY VALUE (17 years and 9 months from issue date)......(3/1/79)	**41.36**	**82.72**	**165.44**	**330.88**	**827.20**	**1,654.40**	**16,544**	**[3] 4.96**	....

[1] Month, day, and year on which issues of June 1, 1961, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on extended maturity value in effect on the beginning date of the half-year period.
[3] Yield on purchase price from issue date to extended maturity date is 4.51 percent.

TABLE 64

BONDS BEARING ISSUE DATES FROM SEPTEMBER 1 THROUGH NOVEMBER 1, 1961

Issue price / Denomination	$18.75 / 25.00	$37.50 / 50.00	$75.00 / 100.00	$150.00 / 200.00	$375.00 / 500.00	$750.00 / 1,000.00	$7,500 / 10,000	Approximate investment yield	
Period after issue date	(1) Redemption values during each half-year period [1] (values increase on first day of period shown)							(2) On the redemption value at start of each maturity or extended maturity period to beginning of each half-year period [1] thereafter	(3) On current redemption value from beginning of each half-year period [1] (a) to maturity [3]
								Percent	*Percent*
First ½ year [2]......(9/1/61)	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	3.75
½ to 1 year........(3/1/62)	18.91	37.82	75.64	151.28	378.20	756.40	7,564	1.71	3.89
1 to 1½ years......(9/1/62)	19.19	38.38	76.76	153.52	383.80	767.60	7,676	2.33	3.96
1½ to 2 years......(3/1/63)	19.51	39.02	78.04	156.08	390.20	780.40	7,804	2.67	4.01
2 to 2½ years......(9/1/63)	19.90	39.80	79.60	159.20	398.00	796.00	7,960	3.00	4.01
2½ to 3 years......(3/1/64)	20.28	40.56	81.12	162.24	405.60	811.20	8,112	3.16	4.03
3 to 3½ years......(9/1/64)	20.66	41.32	82.64	165.28	413.20	826.40	8,264	3.26	4.05
3½ to 4 years......(3/1/65)	21.07	42.14	84.28	168.56	421.40	842.80	8,428	3.36	4.06
4 to 4½ years......(9/1/65)	21.50	43.00	86.00	172.00	430.00	860.00	8,600	3.45	4.06
4½ to 5 years......(3/1/66)	21.95	43.90	87.80	175.60	439.00	878.00	8,780	3.53	4.44
5 to 5½ years......(9/1/66)	22.41	44.82	89.64	179.28	448.20	896.40	8,964	3.60	4.49
5½ to 6 years......(3/1/67)	22.89	45.78	91.56	183.12	457.80	915.60	9,156	3.66	4.53
6 to 6½ years......(9/1/67)	23.38	46.76	93.52	187.04	467.60	935.20	9,352	3.71	4.61
6½ to 7 years......(3/1/68)	23.91	47.82	95.64	191.28	478.20	956.40	9,564	3.78	4.64
7 to 7½ years......(9/1/68)	24.46	48.92	97.84	195.68	489.20	978.40	9,784	3.83	4.77
7½ years to 7 years and 9 months..........(3/1/69)	25.02	50.04	100.08	200.16	500.40	1,000.80	10,008	3.88	5.15
MATURITY VALUE (7 years and 9 months from issue date).(6/1/69)	**25.34**	**50.68**	**101.36**	**202.72**	**506.80**	**1,013.60**	**10,136**	**3.92**	----
Period after maturity date	EXTENDED MATURITY PERIOD								(b) to extended maturity [3]
First ½ year.......(6/1/69)	$25.34	$50.68	$101.36	$202.72	$506.80	$1,013.60	$10,136	0.00	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
½ to 1 year.......(12/1/69)	25.97	51.94	103.88	207.76	519.40	1,038.80	10,388	4.97	5.00
1 to 1½ years......(6/1/70)	26.62	53.24	106.48	212.96	532.40	1,064.80	10,648	4.99	5.00
1½ to 2 years....(12/1/70)	27.29	54.58	109.16	218.32	545.80	1,091.60	10,916	5.00	5.00
2 to 2½ years......(6/1/71)	27.97	55.94	111.88	223.76	559.40	1,118.80	11,188	5.00	5.00
2½ to 3 years....(12/1/71)	28.67	57.34	114.68	229.36	573.40	1,146.80	11,468	5.00	5.00
3 to 3½ years......(6/1/72)	29.39	58.78	117.56	235.12	587.80	1,175.60	11,756	5.00	5.00
3½ to 4 years....(12/1/72)	30.12	60.24	120.48	240.96	602.40	1,204.80	12,048	5.00	5.00
4 to 4½ years......(6/1/73)	30.87	61.74	123.48	246.96	617.40	1,234.80	12,348	5.00	5.00
4½ to 5 years....(12/1/73)	31.65	63.30	126.60	253.20	633.00	1,266.00	12,660	5.00	5.00
5 to 5½ years......(6/1/74)	32.44	64.88	129.76	259.52	648.80	1,297.60	12,976	5.00	5.00
5½ to 6 years....(12/1/74)	33.25	66.50	133.00	266.00	665.00	1,330.00	13,300	5.00	5.00
6 to 6½ years......(6/1/75)	34.08	68.16	136.32	272.64	681.60	1,363.20	13,632	5.00	5.00
6½ to 7 years....(12/1/75)	34.93	69.86	139.72	279.44	698.60	1,397.20	13,972	5.00	5.00
7 to 7½ years......(6/1/76)	35.80	71.60	143.20	286.40	716.00	1,432.00	14,320	5.00	5.00
7½ to 8 years....(12/1/76)	36.70	73.40	146.80	293.60	734.00	1,468.00	14,680	5.00	5.00
8 to 8½ years......(6/1/77)	37.62	75.24	150.48	300.96	752.40	1,504.80	15,048	5.00	4.99
8½ to 9 years....(12/1/77)	38.56	77.12	154.24	308.48	771.20	1,542.40	15,424	5.00	4.99
9 to 9½ years......(6/1/78)	39.52	79.04	158.08	316.16	790.40	1,580.80	15,808	5.00	5.00
9½ to 10 years...(12/1/78)	40.51	81.02	162.04	324.08	810.20	1,620.40	16,204	5.00	4.99
EXTENDED MATURITY VALUE (17 years and 9 months from issue date)......(6/1/79)	**41.52**	**83.04**	**166.08**	**332.16**	**830.40**	**1,660.80**	**16,608**	[4] **5.00**	-----------

[1] 3-month period in the case of the 7½-year to 7-year and 9-month period.
[2] Month, day, and year on which issues of Sept. 1, 1961, enter each period. For subsequent issue months add the appropriate number of months.
[3] Based on maturity value (or extended maturity value) in effect on the beginning date of the half-year period.
[4] Yield on purchase price from issue date to extended maturity date is 4.53 percent.

TABLE 65

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1961, THROUGH MAY 1, 1962

Issue price / Denomination	$18.75 / 25.00	$37.50 / 50.00	$75.00 / 100.00	$150.00 / 200.00	$375.00 / 500.00	$750.00 / 1,000.00	$7,500 / 10,000	Approximate investment yield: (2) On the redemption value at start of each maturity or extended maturity period to beginning of each half-year period [1] thereafter	Approximate investment yield: (3) On current redemption value from beginning of each half-year period [1] (a) to maturity [3]
Period after issue date	(1) Redemption values during each half-year period (values increase on first day of period shown)								
								Percent	*Percent*
First ½ year....[2](12/1/61)	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	3.75
½ to 1 year........(6/1/62)	18.91	37.82	75.64	151.28	378.20	756.40	7,564	1.71	3.89
1 to 1½ years....(12/1/62)	19.19	38.38	76.76	153.52	383.80	767.60	7,676	2.33	3.96
1½ to 2 years......(6/1/63)	19.51	39.02	78.04	156.08	390.20	780.40	7,804	2.67	4.01
2 to 2½ years....(12/1/63)	19.90	39.80	79.60	159.20	398.00	796.00	7,960	3.00	4.01
2½ to 3 years......(6/1/64)	20.28	40.56	81.12	162.24	405.60	811.20	8,112	3.16	4.03
3 to 3½ years....(12/1/64)	20.66	41.32	82.64	165.28	413.20	826.40	8,264	3.26	4.05
3½ to 4 years......(6/1/65)	21.07	42.14	84.28	168.56	421.40	842.80	8,428	3.36	4.06
4 to 4½ years....(12/1/65)	21.50	43.00	86.00	172.00	430.00	860.00	8,600	3.45	4.46
4½ to 5 years......(6/1/66)	21.96	43.92	87.84	175.68	439.20	878.40	8,784	3.54	4.49
5 to 5½ years....(12/1/66)	22.42	44.84	89.68	179.36	448.40	896.80	8,968	3.61	4.55
5½ to 6 years......(6/1/67)	22.91	45.82	91.64	183.28	458.20	916.40	9,164	3.68	4.58
6 to 6½ years....(12/1/67)	23.42	46.84	93.68	187.36	468.40	936.80	9,368	3.74	4.62
6½ to 7 years......(6/1/68)	23.95	47.90	95.80	191.60	479.00	958.00	9,580	3.80	4.79
7 to 7½ years....(12/1/68)	24.50	49.00	98.00	196.00	490.00	980.00	9,800	3.86	4.92
7½ years to 7 years and 9 months..........(6/1/69)	25.07	50.14	100.28	200.56	501.40	1,002.80	10,028	3.91	5.46
MATURITY VALUE (7 years and 9 months from issue date)..(9/1/69)	**25.41**	**50.82**	**101.64**	**203.28**	**508.20**	**1,016.40**	**10,164**	**3.96**	....
Period after maturity date	EXTENDED MATURITY PERIOD								(b) to extended maturity [3]
First ½ year......(9/1/69)	25.41	50.82	101.64	203.28	508.20	1,016.40	10,164	0.00	5.00
Redemption values and investment yields to extended maturity on basis of June 1, 1969, revision									
½ to 1 year........(3/1/70)	26.04	52.08	104.16	208.32	520.80	1,041.60	10,416	4.96	5.00
1 to 1½ years......(9/1/70)	26.69	53.38	106.76	213.52	533.80	1,067.60	10,676	4.98	5.00
1½ to 2 years......(3/1/71)	27.36	54.72	109.44	218.88	547.20	1,094.40	10,944	4.99	5.00
2 to 2½ years......(9/1/71)	28.05	56.10	112.20	224.40	561.00	1,122.00	11,220	5.00	5.00
2½ to 3 years......(3/1/72)	28.75	57.50	115.00	230.00	575.00	1,150.00	11,500	5.00	5.00
3 to 3½ years......(9/1/72)	29.47	58.94	117.88	235.76	589.40	1,178.80	11,788	5.00	5.00
3½ to 4 years......(3/1/73)	30.20	60.40	120.80	241.60	604.00	1,208.00	12,080	5.00	5.00
4 to 4½ years......(9/1/73)	30.96	61.92	123.84	247.68	619.20	1,238.40	12,384	5.00	5.00
4½ to 5 years......(3/1/74)	31.73	63.46	126.92	253.84	634.60	1,269.20	12,692	5.00	5.00
5 to 5½ years......(9/1/74)	32.53	65.06	130.12	260.24	650.60	1,301.20	13,012	5.00	5.00
5½ to 6 years......(3/1/75)	33.34	66.68	133.36	266.72	666.80	1,333.60	13,336	5.00	5.00
6 to 6½ years......(9/1/75)	34.17	68.34	136.68	273.36	683.40	1,366.80	13,668	5.00	5.00
6½ to 7 years......(3/1/76)	35.03	70.06	140.12	280.24	700.60	1,401.20	14,012	5.00	5.00
7 to 7½ years......(9/1/76)	35.90	71.80	143.60	287.20	718.00	1,436.00	14,360	5.00	5.01
7½ to 8 years......(3/1/77)	36.80	73.60	147.20	294.40	736.00	1,472.00	14,720	5.00	5.00
8 to 8½ years......(9/1/77)	37.72	75.44	150.88	301.76	754.40	1,508.80	15,088	5.00	5.01
8½ to 9 years......(3/1/78)	38.66	77.32	154.64	309.28	773.20	1,546.40	15,464	5.00	5.01
9 to 9½ years......(9/1/78)	39.63	79.26	158.52	317.04	792.60	1,585.20	15,852	5.00	5.01
9½ to 10 years....(3/1/79)	40.62	81.24	162.48	324.96	812.40	1,624.80	16,248	5.00	5.02
EXTENDED MATURITY VALUE (17 years and 9 months from issue date)......(9/1/79)	**41.64**	**83.28**	**166.56**	**333.12**	**832.80**	**1,665.60**	**16,656**	**[4] 5.00**	....

[1] 3-month period in the case of the 7½-year to 7-year and 9-month period.
[2] Month, day, and year on which issues of Dec. 1, 1961, enter each period. For subsequent issue months add the appropriate number of months.
[3] Based on maturity value (or extended maturity value) in effect on the beginning date of the half-year period.
[4] Yield on purchase price from issue date to extended maturity date is 4.55 percent.

TABLE 66

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1962

Issue price	**$18.75**	**$37.50**	**$75.00**	**$150.00**	**$375.00**	**$750.00**	**$7,500**	Approximate investment yield	
Denomination	**25.00**	**50.00**	**100.00**	**200.00**	**500.00**	**1,000.00**	**10,000**		
Period after issue date	(1) Redemption values during each half-year period[1] (values increase on first day of period shown)							(2) On the redemption value at start of each maturity or extended maturity period to beginning of each half-year period[1] thereafter	(3) On current redemption value from beginning of each half-year period[1] (a) to maturity[3]
								Percent	*Percent*
First ½ year.... [2] (6/1/62)	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	3.75
½ to 1 year......(12/1/62)	18.91	37.82	75.64	151.28	378.20	756.40	7,564	1.71	3.89
1 to 1½ years.....(6/1/63)	19.19	38.38	76.76	153.52	383.80	767.60	7,676	2.33	3.96
1½ to 2 years....(12/1/63)	19.51	39.02	78.04	156.08	390.20	780.40	7,804	2.67	4.01
2 to 2½ years.....(6/1/64)	19.90	39.80	79.60	159.20	398.00	796.00	7,960	3.00	4.01
2½ to 3 years....(12/1/64)	20.28	40.56	81.12	162.24	405.60	811.20	8,112	3.16	4.03
3 to 3½ years.....(6/1/65)	20.66	41.32	82.64	165.28	413.20	826.40	8,264	3.26	4.05
3½ to 4 years....(12/1/65)	21.07	42.14	84.28	168.56	421.40	842.80	8,428	3.36	4.47
4 to 4½ years.....(6/1/66)	21.51	43.02	86.04	172.08	430.20	860.40	8,604	3.46	4.50
4½ to 5 years....(12/1/66)	21.97	43.94	87.88	175.76	439.40	878.80	8,788	3.55	4.54
5 to 5½ years.....(6/1/67)	22.45	44.90	89.80	179.60	449.00	898.00	8,980	3.63	4.57
5½ to 6 years....(12/1/67)	22.95	45.90	91.80	183.60	459.00	918.00	9,180	3.71	4.60
6 to 6½ years.....(6/1/68)	23.46	46.92	93.84	187.68	469.20	938.40	9,384	3.77	4.75
6½ to 7 years....(12/1/68)	23.99	47.98	95.96	191.92	479.80	959.60	9,596	3.83	4.85
7 to 7½ years.....(6/1/69)	24.55	49.10	98.20	196.40	491.00	982.00	9,820	3.89	4.97
Redemption values and investment yields to original maturity on basis of June 1, 1969, revision									
7½ years to 7 years and 9 months......(12/1/69)	25.13	50.26	100.52	201.04	502.60	1,005.20	10,052	3.94	5.45
MATURITY VALUE (7 years and 9 months from issue date).(3/1/70)	**25.47**	**50.94**	**101.88**	**203.76**	**509.40**	**1,018.80**	**10,188**	**4.00**	....
Period after maturity date	EXTENDED MATURITY PERIOD								(b) to extended maturity[3]
First ½ year......(3/1/70)	25.47	50.94	101.88	203.76	509.40	1,018.80	10,188	0.00	5.00
½ to 1 year.......(9/1/70)	26.10	52.20	104.40	208.80	522.00	1,044.00	10,440	4.95	5.00
1 to 1½ years.....(3/1/71)	26.76	53.52	107.04	214.08	535.20	1,070.40	10,704	5.00	5.00
1½ to 2 years.....(9/1/71)	27.43	54.86	109.72	219.44	548.60	1,097.20	10,972	5.00	5.00
2 to 2½ years.....(3/1/72)	28.11	56.22	112.44	224.88	562.20	1,124.40	11,244	4.99	5.00
2½ to 3 years.....(9/1/72)	28.82	57.64	115.28	230.56	576.40	1,152.80	11,528	5.00	5.00
3 to 3½ years.....(3/1/73)	29.54	59.08	118.16	236.32	590.80	1,181.60	11,816	5.00	5.00
3½ to 4 years.....(9/1/73)	30.28	60.56	121.12	242.24	605.60	1,211.20	12,112	5.00	5.00
4 to 4½ years.....(3/1/74)	31.03	62.06	124.12	248.24	620.60	1,241.20	12,412	5.00	5.00
4½ to 5 years.....(9/1/74)	31.81	63.62	127.24	254.48	636.20	1,272.40	12,724	5.00	5.00
5 to 5½ years.....(3/1/75)	32.60	65.20	130.40	260.80	652.00	1,304.00	13,040	5.00	5.00
5½ to 6 years.....(9/1/75)	33.42	66.84	133.68	267.36	668.40	1,336.80	13,368	5.00	5.00
6 to 6½ years.....(3/1/76)	34.25	68.50	137.00	274.00	685.00	1,370.00	13,700	5.00	5.01
6½ to 7 years.....(9/1/76)	35.11	70.22	140.44	280.88	702.20	1,404.40	14,044	5.00	5.00
7 to 7½ years.....(3/1/77)	35.99	71.98	143.96	287.92	719.80	1,439.60	14,396	5.00	5.00
7½ to 8 years.....(9/1/77)	36.89	73.78	147.56	295.12	737.80	1,475.60	14,756	5.00	5.00
8 to 8½ years.....(3/1/78)	37.81	75.62	151.24	302.48	756.20	1,512.40	15,124	5.00	5.01
8½ to 9 years.....(9/1/78)	38.76	77.52	155.04	310.08	775.20	1,550.40	15,504	5.00	5.00
9 to 9½ years.....(3/1/79)	39.72	79.44	158.88	317.76	794.40	1,588.80	15,888	5.00	5.02
9½ to 10 years....(9/1/79)	40.72	81.44	162.88	325.76	814.40	1,628.80	16,288	5.00	5.01
EXTENDED MATURITY VALUE (17 years and 9 months from issue date)......(3/1/80)	**41.74**	**83.48**	**166.96**	**333.92**	**834.80**	**1,669.60**	**16,696.**	[4]**5.00**	....

[1] 3-month period in the case of the 7½-year to 7-year and 9-month period.
[2] Month, day, and year on which issues of June 1, 1962, enter each period. For subsequent issue months add the appropriate number of months.
[3] Based on maturity value (or extended maturity value) in effect on the beginning date of the half-year period.
[4] Yield on purchase price from issue date to extended maturity date is 4.56 percent.

TABLE 67

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1962, THROUGH MAY 1, 1963

Issue price / Denomination	$18.75 / 25.00	$37.50 / 50.00	$75.00 / 100.00	$150.00 / 200.00	$375.00 / 500.00	$750.00 / 1,000.00	$7,500 / 10,000	Approximate investment yield: (2) On the redemption value at start of each maturity or extended maturity period to beginning of each half-year period [1] thereafter	(3) On current redemption value from beginning of each half-year period [1] (a) to maturity [3]
Period after issue date	(1) Redemption values during each half-year period [1] (values increase on first day of period shown)							Percent	Percent
First ½ year ... [2] (12/1/62)	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	3.75
½ to 1 year ... (6/1/63)	18.91	37.82	75.64	151.28	378.20	756.40	7,564	1.71	3.89
1 to 1½ years ... (12/1/63)	19.19	38.38	76.76	153.52	383.80	767.60	7,676	2.33	3.96
1½ to 2 years ... (6/1/64)	19.51	39.02	78.04	156.08	390.20	780.40	7,804	2.67	4.01
2 to 2½ years ... (12/1/64)	19.90	39.80	79.60	159.20	398.00	796.00	7,960	3.00	4.01
2½ to 3 years ... (6/1/65)	20.28	40.56	81.12	162.24	405.60	811.20	8,112	3.16	4.03
3 to 3½ years ... (12/1/65)	20.66	41.32	82.64	165.28	413.20	826.40	8,264	3.26	4.46
3½ to 4 years ... (6/1/66)	21.08	42.16	84.32	168.64	421.60	843.20	8,432	3.37	4.50
4 to 4½ years ... (12/1/66)	21.52	43.04	86.08	172.16	430.40	860.80	8,608	3.47	4.54
4½ to 5 years ... (6/1/67)	21.99	43.98	87.96	175.92	439.80	879.60	8,796	3.57	4.57
5 to 5½ years ... (12/1/67)	22.48	44.96	89.92	179.84	449.60	899.20	8,992	3.66	4.59
5½ to 6 years ... (6/1/68)	22.98	45.96	91.92	183.84	459.60	919.20	9,192	3.73	4.73
6 to 6½ years ... (12/1/68)	23.50	47.00	94.00	188.00	470.00	940.00	9,400	3.80	4.79
6½ to 7 years ... (6/1/69)	24.04	48.08	96.16	192.32	480.80	961.60	9,616	3.86	5.00
Redemption values and investment yields to original maturity on basis of June 1, 1969, revision									
7 to 7½ years ... (12/1/69)	24.61	49.22	98.44	196.88	492.20	984.40	9,844	3.92	5.17
7½ years to 7 years and 9 months ... (6/1/70)	25.20	50.40	100.80	201.60	504.00	1,008.00	10,080	3.98	5.92
MATURITY VALUE (7 years and 9 months from issue date) (9/1/70)	**25.57**	**51.14**	**102.28**	**204.56**	**511.40**	**1,022.80**	**10,228**	**4.04**	...
Period after maturity date	EXTENDED MATURITY PERIOD								(b) to extended maturity [3]
First ½ year ... (9/1/70)	25.57	51.14	102.28	204.56	511.40	1,022.80	10,228	0.00	5.00
½ to 1 year ... (3/1/71)	26.20	52.40	104.80	209.60	524.00	1,048.00	10,480	4.93	5.00
1 to 1½ years ... (9/1/71)	26.86	53.72	107.44	214.88	537.20	1,074.40	10,744	4.98	5.00
1½ to 2 years ... (3/1/72)	27.53	55.06	110.12	220.24	550.60	1,101.20	11,012	4.98	5.00
2 to 2½ years ... (9/1/72)	28.22	56.44	112.88	225.76	564.40	1,128.80	11,288	4.99	5.00
2½ to 3 years ... (3/1/73)	28.93	57.86	115.72	231.44	578.60	1,157.20	11,572	5.00	5.00
3 to 3½ years ... (9/1/73)	29.65	59.30	118.60	237.20	593.00	1,186.00	11,860	5.00	5.00
3½ to 4 years ... (3/1/74)	30.39	60.78	121.56	243.12	607.80	1,215.60	12,156	5.00	5.00
4 to 4½ years ... (9/1/74)	31.15	62.30	124.60	249.20	623.00	1,246.00	12,460	5.00	5.00
4½ to 5 years ... (3/1/75)	31.93	63.86	127.72	255.44	638.60	1,277.20	12,772	5.00	5.00
5 to 5½ years ... (9/1/75)	32.73	65.46	130.92	261.84	654.60	1,309.20	13,092	5.00	5.00
5½ to 6 years ... (3/1/76)	33.55	67.10	134.20	268.40	671.00	1,342.00	13,420	5.00	5.00
6 to 6½ years ... (9/1/76)	34.39	68.78	137.56	275.12	687.80	1,375.60	13,756	5.00	5.00
6½ to 7 years ... (3/1/77)	35.25	70.50	141.00	282.00	705.00	1,410.00	14,100	5.00	5.00
7 to 7½ years ... (9/1/77)	36.13	72.26	144.52	289.04	722.60	1,445.20	14,452	5.00	5.00
7½ to 8 years ... (3/1/78)	37.03	74.06	148.12	296.24	740.60	1,481.20	14,812	5.00	5.00
8 to 8½ years ... (9/1/78)	37.96	75.92	151.84	303.68	759.20	1,518.40	15,184	5.00	5.00
8½ to 9 years ... (3/1/79)	38.91	77.82	155.64	311.28	778.20	1,556.40	15,564	5.00	5.00
9 to 9½ years ... (9/1/79)	39.88	79.76	159.52	319.04	797.60	1,595.20	15,952	5.00	5.00
9½ to 10 years ... (3/1/80)	40.88	81.76	163.52	327.04	817.60	1,635.20	16,352	5.00	4.99
EXTENDED MATURITY VALUE (17 years and 9 months from issue date) (9/1/80)	**41.90**	**83.80**	**167.60**	**335.20**	**838.00**	**1,676.00**	**16,760**	[4] **5.00**	...

[1] 3-month period in the case of the 7½-year to 7-year and 9-month period.
[2] Month, day, and year on which issues of Dec. 1, 1962, enter each period. For subsequent issue months add the appropriate number of months.
[3] Based on maturity value (or extended maturity value) in effect on the beginning date of the half-year period.
[4] Yield on purchase price from issue date to extended maturity date is 4.58 percent.

TABLE 68

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1963

Issue price	**$18.75**	**$37.50**	**$75.00**	**$150.00**	**$375.00**	**$750.00**	**$7,500**	Approximate investment yield	
Denomination	**25.00**	**50.00**	**100.00**	**200.00**	**500.00**	**1,000.00**	**10,000**		
Period after issue date	(1) Redemption values during each half-year period [1] (values increase on first day of period shown)							(2) On purchase price from issue date to beginning of each half-year period [1]	(3) On current redemption value from beginning of each half-year period [1] to maturity [3]
								Percent	*Percent*
First ½ year.... [2] (6/1/63)	$18.75	$37.50	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	3.75
½ to 1 year......(12/1/63)	18.91	37.82	75.64	151.28	378.20	756.40	7,564	1.71	3.89
1 to 1½ years.....(6/1/64)	19.19	38.38	76.76	153.52	383.80	767.60	7,676	2.33	3.96
1½ to 2 years....(12/1/64)	19.51	39.02	78.04	156.08	390.20	780.40	7,804	2.67	4.01
2 to 2½ years.....(6/1/65)	19.90	39.80	79.60	159.20	398.00	796.00	7,960	3.00	4.01
2½ to 3 years....(12/1/65)	20.28	40.56	81.12	162.24	405.60	811.20	8,112	3.16	4.43
3 to 3½ years.....(6/1/66)	20.67	41.34	82.68	165.36	413.40	826.80	8,268	3.28	4.49
3½ to 4 years....(12/1/66)	21.09	42.18	84.36	168.72	421.80	843.60	8,436	3.39	4.54
4 to 4½ years.....(6/1/67)	21.54	43.08	86.16	172.32	430.80	861.60	8,616	3.50	4.57
4½ to 5 years....(12/1/67)	22.02	44.04	88.08	176.16	440.40	880.80	8,808	3.60	4.59
5 to 5½ years.....(6/1/68)	22.51	45.02	90.04	180.08	450.20	900.40	9,004	3.69	4.72
5½ to 6 years....(12/1/68)	23.02	46.04	92.08	184.16	460.40	920.80	9,208	3.77	4.76
6 to 6½ years.....(6/1/69)	23.54	47.08	94.16	188.32	470.80	941.60	9,416	3.83	4.99
Redemption values and investment yields to maturity on basis of June 1, 1969, revision									
6½ to 7 years....(12/1/69)	24.09	48.18	96.36	192.72	481.80	963.60	9,636	3.89	5.12
7 to 7½ years.....(6/1/70)	24.66	49.32	98.64	197.28	493.20	986.40	9,864	3.95	5.37
7½ years to 7 years and 9 months........(12/1/70)	25.27	50.54	101.08	202.16	505.40	1,010.80	10,108	4.02	6.22
MATURITY VALUE (7 years and 9 months from issue date)..(3/1/71)	**25.66**	**51.32**	**102.64**	**205.28**	**513.20**	**1,026.40**	**10,264**	**4.09**	....

[1] 3-month period in the case of the 7½-year to 7-year and 9-month period.
[2] Month, day, and year on which issues of June 1, 1963, enter each period. For subsequent issue months add the appropriate number of months.
[3] Based on maturity value in effect on the beginning date of the half-year period.

TABLE 69

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1963, THROUGH MAY 1, 1964

Issue price	**$18.75**	**$37.50**	**$56.25**	**$75.00**	**$150.00**	**$375.00**	**$750.00**	**$7,500**	Approximate investment yield	
Denomination	**25.00**	**50.00**	**75.00**	**100.00**	**200.00**	**500.00**	**1,000.00**	**10,000**		
Period after issue date	(1) Redemption values during each half-year period [1] (values increase on first day of period shown)								(2) On purchase price from issue date to beginning of each half-year period [1]	(3) On current redemption value from beginning of each half-year period [1] to maturity [3]
									Percent	*Percent*
First ½ year [2] (12/1/63)	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	3.75
½ to 1 year...(6/1/64)	18.91	37.82	56.73	75.64	151.28	378.20	756.40	7,564	1.71	3.89
1 to 1½ years..(12/1/64)	19.19	38.38	57.57	76.76	153.52	383.80	767.60	7,676	2.33	3.96
1½ to 2 years..(6/1/65)	19.51	39.02	58.53	78.04	156.08	390.20	780.40	7,804	2.67	4.01
2 to 2½ years..(12/1/65)	19.90	39.80	59.70	79.60	159.20	398.00	796.00	7,960	3.00	4.41
2½ to 3 years..(6/1/66)	20.29	40.58	60.87	81.16	162.32	405.80	811.60	8,116	3.18	4.45
3 to 3½ years..(12/1/66)	20.68	41.36	62.04	82.72	165.44	413.60	827.20	8,272	3.29	4.52
3½ to 4 years..(6/1/67)	21.10	42.20	63.30	84.40	168.80	422.00	844.00	8,440	3.40	4.57
4 to 4½ years..(12/1/67)	21.56	43.12	64.68	86.24	172.48	431.20	862.40	8,624	3.52	4.60
4½ to 5 years..(6/1/68)	22.05	44.10	66.15	88.20	176.40	441.00	882.00	8,820	3.64	4.72
5 to 5½ years..(12/1/68)	22.54	45.08	67.62	90.16	180.32	45 .80	901.60	9,016	3.72	4.77
5½ to 6 years..(6/1/69)	23.05	46.10	69.15	92.20	184.40	461.00	922.00	9,220	3.79	5.00
Redemption values and investment yields to maturity on basis of June 1, 1969, revision										
6 to 6½ years..(12/1/69)	23.59	47.18	70.77	94.36	188.72	471.80	943.60	9,436	3.86	5.09
6½ to 7 years..(6/1/70)	24.15	48.30	72.45	96.60	193.20	483.00	966.00	9,660	3.93	5.23
7 to 7½ years..(12/1/70)	24.73	49.46	74.19	98.92	197.84	494.60	989.20	9,892	3.99	5.52
7½ years to 7 years and 9 months(6/1/71)	25.35	50.70	76.05	101.40	202.80	507.00	1,014.00	10,140	4.06	6.52
MATURITY VALUE (7 years and 9 months from issue date)....... (9/1/71)	**25.76**	**51.52**	**77.28**	**103.04**	**206.08**	**515.20**	**1,030.40**	**10,304**	**4.14**	....

[1] 3-month period in the case of the 7½-year to 7-year and 9-month period.

[2] Month, day, and year on which issues of Dec. 1, 1963, enter each period. For subsequent issue months add the appropriate number of months.

[3] Based on maturity value in effect on the beginning date of the half-year period.

TABLE 70

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1964

Issue price / Denomination	$18.75 / 25.00	$37.50 / 50.00	$56.25 / 75.00	$75.00 / 100.00	$150.00 / 200.00	$375.00 / 500.00	$750.00 / 1,000.00	$7,500 / 10,000	Approximate investment yield	
Period after issue date	(1) Redemption values during each half-year period [1] (values increase on first day of period shown)								(2) On purchase price from issue date to beginning of each half-year period [1]	(3) On current redemption value from beginning of each half-year period [1] to maturity [3]
									Percent	*Percent*
First ½ year [2] (6/1/64)	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	3.75
½ to 1 year..(12/1/64)	18.91	37.82	56.73	75.64	151.28	378.20	756.40	7,564	1.71	3.89
1 to 1½ years. (6/1/65)	19.19	38.38	57.57	76.76	153.52	383.80	767.60	7,676	2.33	3.96
1½ to 2 years.(12/1/65)	19.51	39.02	58.53	78.04	156.08	390.20	780.40	7,804	2.67	4.41
2 to 2½ years (6/1/66)	19.91	39.82	59.73	79.64	159.28	398.20	796.40	7,964	3.02	4.43
2½ to 3 years.(12/1/66)	20.30	40.60	60.90	81.20	162.40	406.00	812.00	8,120	3.20	4.48
3 to 3½ years. (6/1/67)	20.69	41.38	62.07	82.76	165.52	413.80	827.60	8,276	3.31	4.55
3½ to 4 years.(12/1/67)	21.12	42.24	63.36	84.48	168.96	422.40	844.80	8,448	3.43	4.60
4 to 4½ years. (6/1/68)	21.59	43.18	64.77	86.36	172.72	431.80	863.60	8,636	3.56	4.72
4½ to 5 years.(12/1/68)	22.08	44.16	66.24	88.32	176.64	441.60	883.20	8,832	3.67	4.75
5 to 5½ years. (6/1/69)	22.58	45.16	67.74	90.32	180.64	451.60	903.20	9,032	3.75	4.99
Redemption values and investment yields to maturity on basis of June 1, 1969, revision										
5½ to 6 years.(12/1/69)	23.10	46.20	69.30	92.40	184.80	462.00	924.00	9,240	3.83	5.08
6 to 6½ years. (6/1/70)	23.64	47.28	70.92	94.56	189.12	472.80	945.60	9,456	3.90	5.20
6½ to 7 years. (12/1/70)	24.21	48.42	72.63	96.84	193.68	484.20	968.40	9,684	3.97	5.34
7 to 7½ years. (6/1/71)	24.81	49.62	74.43	99.24	198.48	496.20	992.40	9,924	4.04	5.60
7½ years to 7 years and 9 months..(12/1/71)	25.44	50.88	76.32	101.76	203.52	508.80	1,017.60	10,176	4.11	6.66
MATURITY VALUE (7 years and 9 months from issue date)........(3/1/72)	**25.86**	**51.72**	**77.58**	**103.44**	**206.88**	**517.20**	**1,034.40**	**10,344**	**4.19**	....

[1] 3-month period in the case of the 7½-year to 7-year and 9-month period.
[2] Month, day, and year on which issues of June 1, 1964, enter each period. For subsequent issue months add the appropriate number of months.
[3] Based on maturity value in effect on the beginning date of the half-year period.

TABLE 71

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1964, THROUGH MAY 1, 1965

Issue price / Denomination	$18.75 / 25.00	$37.50 / 50.00	$56.25 / 75.00	$75.00 / 100.00	$150.00 / 200.00	$375.00 / 500.00	$750.00 / 1,000.00	$7,500 / 10,000	Approximate investment yield	
Period after issue date	(1) Redemption values during each half-year period [1] (values increase on first day of period shown)								(2) On purchase price from issue date to beginning of each half-year period [1]	(3) On current redemption value from beginning of each half-year period [1] to maturity [3]
									Percent	*Percen*
First ½ year [2] (12/1/64)	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	3.75
½ to 1 year (6/1/65)	18.91	37.82	56.73	75.64	151.28	378.20	756.40	7,564	1.71	3.89
1 to 1½ years (12/1/65)	19.19	38.38	57.57	76.76	153.52	383 80	767 60	7,676	2.33	4.36
1½ to 2 years (6/1/66)	19.52	39.04	58.56	78.08	156.16	390.40	780.80	7,808	2.70	4.43
2 to 2½ years (12/1/66)	19.92	39.84	59.76	79.68	159.36	398 40	796.80	7,968	3.05	4.46
2½ to 3 years (6/1/67)	20.31	40.62	60.93	81.24	162.48	406.20	812.40	8,124	3.22	4.51
3 to 3½ years (12/1/67)	20.71	41.42	62.13	82.84	165.68	414.20	828.40	8,284	3.34	4.57
3½ to 4 years (6/1/68)	21.15	42.30	63.45	84.60	169.20	423.00	846.00	8,460	3.47	4.71
4 to 4½ years (12/1/68)	21.61	43.22	64 83	86.44	172.88	432.20	864.40	8,644	3.58	4.76
4½ to 5 years (6/1/69)	22.11	44.22	66.33	88.44	176.88	442.20	884.40	8,844	3.70	5.00
Redemption values and investment yields to maturity on basis of June 1, 1969, revision										
5 to 5½ years (12/1/69)	22.62	45.24	67.86	90.48	180.96	452.40	904.80	9,048	3.79	5.07
5½ to 6 years (6/1/70)	23.15	46.30	69.45	92.60	185.20	463.00	926.00	9,260	3.87	5.16
6 to 6½ years (12/1/70)	23.71	47.42	71.13	94.84	189.68	474.20	948.40	9,484	3 95	5.25
6½ to 7 years (6/1/71)	24.28	48.56	72.84	97.12	194.24	485.60	971.20	9,712	4.02	5.42
7 to 7½ years (12/1/71)	24.89	49.78	74.67	99.56	199.12	497.80	995.60	9,956	4.09	5.69
7½ years to 7 years and 9 months (6/1/72)	25.52	51.04	76.56	102.08	204.16	510.40	1,020.80	10,208	4.15	6.96
MATURITY VALUE (7 years and 9 months from issue date) (9/1/72)	**25.96**	**51.92**	**77.88**	**103.84**	**207.68**	**519.20**	**1,038.40**	**10,384**	**4.24**	------------

[1] 3-month period in the case of the 7½-year to 7-year and 9-month period.
[2] Month, day, and year on which issues of Dec. 1, 1964, enter each period. For subsequent issue months add the appropriate number of months.
[3] Based on maturity value in effect on the beginning date of the half-year period.

TABLE 72

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1965

Issue price	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield	
Denomination	25.00	50.00	75.00	100.00	200.00	500.00	1,000.00	10,000		
Period after issue date	(1) Redemption values during each half-year period [1] (values increase on first day of period shown)								(2) On purchase price from issue date to beginning of each half-year period [1]	(3) On current redemption value from beginning of each half-year period [1] to maturity [3]
									Percent	*Percent*
First ½ year..[2](6/1/65)	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	3.75
½ to 1 year..(12/1/65)	18.91	37.82	56.73	75.64	151.28	378.20	756.40	7,564	1.71	4.29
1 to 1½ years.(6/1/66)	19.20	38.40	57.60	76.80	153.60	384.00	768.00	7,680	2.39	4.38
1½ to 2 years.(12/1/66)	19.53	39.06	58.59	78.12	156.24	390.60	781.20	7,812	2.74	4.45
2 to 2½ years.(6/1/67)	19.93	39.86	59.79	79.72	159.44	398.60	797.20	7,972	3.08	4.49
2½ to 3 years.(12/1/67)	20.32	40.64	60.96	81.28	162.56	406.40	812.80	8,128	3.24	4.54
3 to 3½ years.(6/1/68)	20.73	41.46	62.19	82.92	165.84	414.60	829.20	8,292	3.37	4.69
3½ to 4 years.(12/1/68)	21.17	42.34	63.51	84.68	169.36	423.40	846.80	8,468	3.50	4.75
4 to 4½ years..(6/1/69)	21.65	43.30	64.95	86.60	173.20	433.00	866.00	8,660	3.63	5.00
Redemption values and investment yields to maturity on basis of June 1, 1969, revision										
4½ to 5 years.(12/1/69)	22.15	44.30	66.45	88.60	177.20	443.00	886.00	8,860	3.74	5.05
5 to 5½ years..(6/1/70)	22.67	45.34	68.01	90.68	181.36	453.40	906.80	9,068	3.83	5.12
5½ to 6 years.(12/1/70)	23.21	46.42	69.63	92.84	185.68	464.20	928.40	9,284	3.92	5.20
6 to 6½ years..(6/1/71)	23.77	47.54	71.31	95.08	190.16	475.40	950.80	9,508	3.99	5.30
6½ to 7 years.(12/1/71)	24.35	48.70	73.05	97.40	194.80	487.00	974.00	9,740	4.06	5.47
7 to 7½ years..(6/1/72)	24.97	49.94	74.91	99.88	199.76	499.40	998.80	9,988	4.13	5.73
7½ years to 7 years and 9 months (12/1/72)	25.60	51.20	76.80	102.40	204.80	512.00	1,024.00	10,240	4.20	7.09
MATURITY VALUE (7 years and 9 months from issue date)........(3/1/73)	**26.05**	**52.10**	**78.15**	**104.20**	**208.40**	**521.00**	**1,042.00**	**10,420**	4.29	....

[1] 3-month period in the case of the 7½-year to 7-year and 9-month period.
[2] Month, day, and year on which issues of June 1, 1965, enter each period. For subsequent issue months add the appropriate number of months.
[3] Based on maturity value in effect on the beginning date of the half-year period.

TABLE 73

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1965, THROUGH MAY 1, 1966

Issue price / Denomination	$18.75 / 25.00	$37.50 / 50.00	$56.25 / 75.00	$75.00 / 100.00	$150.00 / 200.00	$375.00 / 500.00	$750.00 / 1,000.00	$7,500 / 10,000	Approximate investment yield: (2) On purchase price from issue date to beginning of each half-year period	Approximate investment yield: (3) On current redemption value from beginning of each half-year period to maturity [2]
Period after issue date	(1) Redemption values during each half-year period (values increase on first day of period shown)									
									Percent	*Percent*
First ½ year [1] (12/1/65)	$18.75	$37.50	$56.25	$75.06	$150.00	$375.00	$750.00	$7,500	0.00	4.15
½ to 1 year____(6/1/66)	18.96	37.92	56.88	75 84	151.68	379.20	758.40	7,584	2.24	4.30
1 to 1½ years_(12/1/66)	19.32	38.64	57.96	77.28	154.56	386.40	772.80	7,728	3.02	4.34
1½ to 2 years__(6/1/67)	19.70	39.40	59.10	78.80	157.60	394.00	788.00	7,880	3.32	4.38
2 to 2½ years_(12/1/67)	20.10	40.20	60.30	80.40	160.80	402.00	804.00	8,040	3.51	4.41
2½ to 3 years__(6/1/68)	20.52	41.04	61.56	82.08	164.16	410.40	820.80	8,208	3.64	4.55
3 to 3½ years_(12/1/68)	20.96	41.92	62.88	83.84	167.68	419.20	838.40	8,384	3.75	4.58
3½ to 4 years__(6/1/69)	21.42	42.84	64.26	85.68	171.36	428.40	856.80	8,568	3.84	5.00
Redemption values and investment yields to maturity on basis of June 1, 1969, revision										
4 to 4½ years_(12/1/69)	21.90	43.80	65.70	87.60	175.20	438.00	876.00	8,760	3.92	5.08
4½ to 5 years__(6/1/70)	22.39	44.78	67.17	89.56	179.12	447.80	895.60	8,956	3.98	5.21
5 to 5½ years_(12/1/70)	22.92	45 84	68.76	91.68	183.36	458.40	916.80	9,168	4 06	5.32
5½ to 6 years__(6/1/71)	23 46	46.92	70.38	93.84	187 68	469 20	938.40	9,384	4.12	5.53
6 to 6½ years_(12/1/71)	24.05	48.10	72.15	96.20	192.40	481.00	962.00	9,620	4.19	5.78
6½ to 7 years_(6/1/72)	24.66	49.32	73.98	98.64	197.28	493.20	986.40	9,864	4.26	6.49
MATURITY VALUE (7 years from issue date)_______(12/1/72)	**25.46**	**50.92**	**76.38**	**101.84**	**203.68**	**509.20**	**1,018.40**	**10,184**	**4.42**	____________

[1] Month, day, and year on which issues of Dec. 1, 1965, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on maturity value in effect on the beginning date of the half-year period.

TABLE 74

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1966

Issue price / Denomination	$18.75 / 25.00	$37.50 / 50.00	$56.25 / 75.00	$75.00 / 100.00	$150.00 / 200.00	$375.00 / 500.00	$750.00 / 1,000.00	$7,500 / 10,000	Approximate investment yield: (2) On purchase price from issue date to beginning of each half-year period	Approximate investment yield: (3) On current redemption value from beginning of each half-year period to maturity [2]
Period after issue date	(1) Redemption values during each half-year period (values increase on first day of period shown)									
									Percent	*Percent*
First ½ year. [1] (6/1/66)	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	4.15
½ to 1 year___(12/1/66)	18.96	37.92	56.88	75.84	151.68	379.20	758.40	7,584	2.24	4.30
1 to 1½ years__(6/1/67)	19.32	38.64	57 96	77.28	154.56	386.40	772.80	7,728	3.02	4.34
1½ to 2 years__(12/1/67)	19.70	39.40	59.10	78.80	157 60	394.00	788.00	7,880	3.32	4.38
2 to 2½ years___(6/1/68)	20.10	40.20	60.30	80.40	160.80	402.00	804 00	8,040	3.51	4.52
2½ to 3 years__(12/1/68)	20.52	41.04	61.56	82.08	164.16	410.40	820.80	8,208	3.64	4.55
3 to 3½ years__(6/1/69)	20.96	41.92	62.88	83.84	167.68	419.20	838.40	8,384	3.75	5.00
Redemption values and investment yields to maturity on basis of June 1, 1969, revision										
3½ to 4 years__(12/1/69)	21.43	42.86	64.29	85.72	171.44	428.60	857.20	8,572	3.85	5.08
4 to 4½ years___(6/1/70)	21.91	43.82	65.73	87.64	175.28	438.20	876.40	8,764	3.93	5.18
4½ to 5 years__(12/1/70)	22.42	44 84	67.26	89.68	179.36	448.40	896.80	8,968	4.01	5.28
5 to 5½ years__(6/1/71)	22.95	45.90	68.85	91.80	183.60	459.00	918.00	9,180	4.08	5.42
5½ to 6 years__(12/1/71)	23.51	47.02	70.53	94.04	188.08	470.20	940.40	9,404	4.16	5.60
6 to 6½ years__(6/1/72)	24.10	48.20	72.30	96.40	192.80	482.00	964.00	9,640	4.23	5.89
6½ to 7 years__(12/1/72)	24.72	49.44	74.16	98.88	197.76	494.40	988.80	9,888	4.30	6.63
MATURITY VALUE (7 years from issue date)________(6/1/73)	**25.54**	**51.08**	**76.62**	**102.16**	**204.32**	**510.80**	**1,021.60**	**10,216**	**4.46**	____________

[1] Month, day, and year on which issues of June 1, 1966, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on maturity value in effect on the beginning date of the half-year period.

TABLE 75

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1966, THROUGH MAY 1, 1967

Issue price / **Denomination**	**$18.75** / **25.00**	**$37.50** / **50.00**	**$56.25** / **75.00**	**$75.00** / **100.00**	**$150.00** / **200.00**	**$375.00** / **500.00**	**$750.00** / **1,000.00**	**$7,500** / **10,000**	Approximate investment yield	
Period after issue date	(1) Redemption values during each half-year period (values increase on first day of period shown)								(2) On purchase price from issue date to beginning of each half-year period	(3) On current redemption value from beginning of each half-year period to maturity [2]
									Percent	*Percen*
First ½ year [1] (12/1/66)	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	4.15
½ to 1 year...(6/1/67)	18.96	37.92	56.88	75.84	151.68	379.20	758.40	7,584	2.24	4.30
1 to 1½ years.(12/1/67)	19.32	38.64	57.96	77.28	154.56	386.40	772.80	7,728	3.02	4.34
1½ to 2 years..(6/1/68)	19.70	39.40	59.10	78.80	157.60	394.00	788.00	7,880	3.32	4.48
2 to 2½ years.(12/1/68)	20.10	40.20	60.30	80.40	160.80	402.00	804.00	8,040	3.51	4.53
2½ to 3 years..(6/1/69)	20.52	41.04	61.56	82.08	164.16	410.40	820.80	8,208	3.64	5.00
Redemption values and investment yields to maturity on basis of June 1, 1969, revision										
3 to 3½ years.(12/1/69)	20.97	41.94	62.91	83.88	167.76	419.40	838.80	8,388	3.76	5.08
3½ to 4 years..(6/1/70)	21.44	42.88	64.32	85.76	171.52	428.80	857.60	8,576	3.87	5.17
4 to 4½ years.(12/1/70)	21.94	43.88	65.82	87.76	175.52	438.80	877.60	8,776	3.97	5.25
4½ to 5 years..(6/1/71)	22.46	44.92	67.38	89.84	179.68	449.20	898.40	8,984	4.05	5.35
5 to 5½ years.(12/1/71)	23.00	46.00	69.00	92.00	184.00	460.00	920.00	9,200	4.13	5.49
5½ to 6 years..(6/1/72)	23.56	47.12	70.68	94.24	188.48	471.20	942.40	9,424	4.20	5.69
6 to 6½ years.(12/1/72)	24.16	48.32	72.48	96.64	193.28	483.20	966.40	9,664	4.27	5.99
6½ to 7 years..(6/1/73)	24.79	49.58	74.37	99.16	198.32	495.80	991.60	9,916	4.34	6.78
MATURITY VALUE (7 years from issue date)........(12/1/73)	**25.63**	**51.26**	**76.89**	**102.52**	**205.04**	**512.60**	**1,025.20**	**10,252**	4.52	....

[1] Month, day, and year on which issues of Dec. 1, 1966, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on maturity value in effect on the beginning date of the half-year period.

TABLE 76

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1967

Issue price / **Denomination**	**$18.75** / **25.00**	**$37.50** / **50.00**	**$56.25** / **75.00**	**$75.00** / **100.00**	**$150.00** / **200.00**	**$375.00** / **500.00**	**$750.00** / **1,000.00**	**$7,500** / **10,000**	Approximate investment yield	
Period after issue date	(1) Redemption values during each half-year period (values increase on first day of period shown)								(2) On purchase price from issue date to beginning of each half-year period	(3) On current redemption value from beginning of each half-year period to maturity [2]
									Percent	*Percent*
First ½ year. [1] (6/1/67)	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	4.15
½ to 1 year...(12/1/67)	18.96	37.92	56.88	75.84	151.68	379.20	758.40	7,584	2.24	4.30
1 to 1½ years..(6/1/68)	19.32	38.64	57.96	77.28	154.56	386.40	772.80	7,728	3.02	4.44
1½ to 2 years.(12/1/68)	19.70	39.40	59.10	78.80	157.60	394.00	788.00	7,880	3.32	4.49
2 to 2½ years..(6/1/69)	20.10	40.20	60.30	80.40	160.80	402.00	804.00	8,040	3.51	5.00
Redemption values and investment yields to maturity on basis of June 1, 1969, revision										
2½ to 3 years.(12/1/69)	20.53	41.06	61.59	82.12	164.24	410.60	821.20	8,212	3.66	5.08
3 to 3½ years..(6/1/70)	20.98	41.96	62.94	83.92	167.84	419.60	839.20	8,392	3.78	5.17
3½ to 4 years.(12/1/70)	21.46	42.92	64.38	85.84	171.68	429.20	858.40	8,584	3.89	5.25
4 to 4½ years..(6/1/71)	21.97	43.94	65.91	87.88	175.76	439.40	878.80	8,788	4.00	5.34
4½ to 5 years.(12/1/71)	22.50	45.00	67.50	90.00	180.00	450.00	900.00	9,000	4.09	5.44
5 to 5½ years..(6/1/72)	23.05	46.10	69.15	92.20	184.40	461.00	922.00	9,220	4.17	5.58
5½ to 6 years.(12/1/72)	23.62	47.24	70.86	94.48	188.96	472.40	944.80	9,448	4.24	5.79
6 to 6½ years..(6/1/73)	24.23	48.46	72.69	96.92	193.84	484.60	969.20	9,692	4.32	6.10
6½ to 7 years.(12/1/73)	24.88	49.76	74.64	99.52	199.04	497.60	995.20	9,952	4.40	6.83
MATURITY VALUE (7 years from issue date)........(6/1/74)	**25.73**	**51.46**	**77.19**	**102.92**	**205.84**	**514.60**	**1,029.20**	**10,292**	4.57	....

[1] Month, day, and year on which issues of June 1, 1967, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on maturity value in effect on the beginning date of the half-year period.

TABLE 77

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1967, THROUGH MAY 1, 1968

Issue price	**$18.75**	**$37.50**	**$56.25**	**$75.00**	**$150.00**	**$375.00**	**$750.00**	**$7,500**	Approximate investment yield	
Denomination	**25.00**	**50.00**	**75.00**	**100.00**	**200.00**	**500.00**	**1,000.00**	**10,000**		
Period after issue date	(1) Redemption values during each half-year period (values increase on first day of period shown)								(2) On purchase price from issue date to beginning of each half-year period	(3) On current redemption value from beginning of each half-year period to maturity [2]
									Percent	*Percent*
First ½ year [1] (12/1/67)	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	4.15
½ to 1 year (6/1/68)	18.96	37.92	56.88	75.84	151.68	379.20	758.40	7,584	2.24	4.40
1 to 1½ years (12/1/68)	19.32	38.64	57.96	77.28	154.56	386.40	772.80	7,728	3.02	4.45
1½ to 2 years (6/1/69)	19.70	39.40	59.10	78.80	157.60	394.00	788.00	7,880	3.32	5.00
Redemption values and investment yields to maturity on basis of June 1, 1969, revision										
2 to 2½ years (12/1/69)	20.11	40.22	60.33	80.44	160.88	402.20	804.40	8,044	3.53	5.09
2½ to 3 years (6/1/70)	20.54	41.08	61.62	82.16	164.32	410.80	821.60	8,216	3.68	5.18
3 to 3½ years (12/1/70)	21.00	42.00	63.00	84.00	168.00	420.00	840.00	8,400	3.81	5.26
3½ to 4 years (6/1/71)	21.50	43.00	64.50	86.00	172.00	430.00	860.00	8,600	3.95	5.33
4 to 4½ years (12/1/71)	22.01	44.02	66.03	88.04	176.08	440.20	880.40	8,804	4.05	5.43
4½ to 5 years (6/1/72)	22.55	45.10	67.65	90.20	180.40	451.00	902.00	9,020	4.14	5.54
5 to 5½ years (12/1/72)	23.11	46.22	69.33	92.44	184.88	462.20	924.40	9,244	4.23	5.68
5½ to 6 years (6/1/73)	23.70	47.40	71.10	94.80	189.60	474.00	948.00	9,480	4.31	5.87
6 to 6½ years (12/1/73)	24.32	48.64	72.96	97.28	194.56	486.40	972.80	9,728	4.38	6.20
6½ to 7 years (6/1/74)	24.97	49.94	74.91	99.88	199.76	499.40	998.80	9,988	4.46	7.05
MATURITY VALUE (7 years from issue date) (12/1/74)	**25.85**	**51.70**	**77.55**	**103.40**	**206.80**	**517.00**	**1,034.00**	**10,340**	**4.64**	

[1] Month, day, and year on which issues of Dec. 1, 1967, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on maturity value in effect on the beginning date of the half-year period.

TABLE 78

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1968

Issue price	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield	
Denomination	25.00	50.00	75.00	100.00	200.00	500.00	1,000.00	10,000		
Period after issue date	(1) Redemption values during each half-year period (values increase on first day of period shown)								(2) On purchase price from issue date to beginning of each half-year period	(3) On current redemption value from beginning of each half-year period to maturity [2]
									Percent	*Percent*
First ½ year..[1](6/1/68)	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	4.25
½ to 1 year..(12/1/68)	18.96	37.92	56.88	75.84	151.68	379.20	758.40	7,584	2.24	4.40
1 to 1½ years.(6/1/69)	19.32	38.64	57.96	77.28	154.56	386.40	772.80	7,728	3.02	5.00
Redemption values and investment yields to maturity on basis of June 1, 1969, revision										
1½ to 2 years.(12/1/69)	19.71	39.42	59.13	78.84	157.68	394.20	788.40	7,884	3.36	5.09
2 to 2½ years.(6/1/70)	20.12	40.24	60.36	80.48	160.96	402.40	804.80	8,048	3.56	5.18
2½ to 3 years.(12/1/70)	20.56	41.12	61.68	82.24	164.48	411.20	822.40	8,224	3.72	5.27
3 to 3½ years.(6/1/71)	21.03	42.06	63.09	84.12	168.24	420.60	841.20	8,412	3.86	5.35
3½ to 4 years.(12/1/71)	21.54	43.08	64.62	86.16	172.32	430.80	861.60	8,616	4.00	5.43
4 to 4½ years.(6/1/72)	22.07	44.14	66.21	88.28	176.56	441.40	882.80	8,828	4.12	5.51
4½ to 5 years.(12/1/72)	22.62	45.24	67.86	90.48	180.96	452.40	904.80	9,048	4.21	5.62
5 to 5½ years.(6/1/73)	23.19	46.38	69.57	92.76	185.52	463.80	927.60	9,276	4.30	5.76
5½ to 6 years.(12/1/73)	23.79	47.58	71.37	95.16	190.32	475.80	951.60	9,516	4.38	5.96
6 to 6½ years.(6/1/74)	24.42	48.84	73.26	97.68	195.36	488.40	976.80	9,768	4.45	6.29
6½ to 7 years.(12/1/74)	25.09	50.18	75.27	100.36	200.72	501.80	1,003.60	10,036	4.53	7.09
MATURITY VALUE (7 years from issue date)........(6/1/75)	**25.98**	**51.96**	**77.94**	**103.92**	**207.84**	**519.60**	**1,039.20**	**10,392**	4.71	....

[1] Month, day and year on which issues of June 1, 1968, enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on maturity value in effect on the beginning date of the half-year period.

Appendix

Maturities and summary of investment yields to maturity, extended maturity and second extended maturity dates under regulations heretofore prescribed for Series E Savings Bonds with issue dates May 1, 1941, through May 1, 1969 (rates percent per annum, compounded semiannually).

Issue dates	Term to original maturity	Yields: To original maturity date	Yields: To extended maturity date (10 years)	Yields: To second extended maturity date (10 years)
May 1941–April 1942.	10 years	2.90%	2.90% +0.6 June 1, 1959	3.75%. +0.4 December 1, 1965. +0.1 June 1, 1968.
May 1942–May 1949.	10 years	2.90%	3.00% +0.5 June 1, 1959 +0.4 December 1, 1965 +0.1 June 1, 1968	3.75%. +0.4 December 1, 1965. +0.1 June 1, 1968.
June 1949–April 1952.	10 years	2.90% +0.6 June 1, 1959	3.75% +0.4 December 1, 1965 +0.1 June 1, 1968	4.25%.
May 1952–March 1956.	9 years 8 months.	3.00% +0.5 June 1, 1959	3.75% +0.4 December 1, 1965 +0.1 June 1, 1968	

See footnotes at end of table.

TABLE 79

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1968 THROUGH MAY 1, 1969

Issue price / Denomination	$18.75 / 25.00	$37.50 / 50.00	$56.25 / 75.00	$75.00 / 100.00	$150.00 / 200.00	$375.00 / 500.00	$750.00 / 1,000.00	$7,500 / 10,000	Approximate investment yield: (2) On purchase price from issue date to beginning of each half-year period	Approximate investment yield: (3) On current redemption value from beginning of each half-year period to maturity [2]
Period after issue date	(1) Redemption values during each half-year period (values increase on first day of period shown)									
									Percent	*Percent*
First ½ year.[1](12/1/68)	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	0.00	4.25
½ to 1 year...(6/1/69)	18.96	37.92	56.88	75.84	151.68	379.20	758.40	7,584	2.24	5.00
Redemption values and investment yields to maturity on basis of June 1, 1969, revision										
1 to 1½ years..(12/1/69)	19.33	38.66	57.99	77.32	154.64	386.60	773.20	7,732	3.07	5.09
1½ to 2 years...(6/1/70)	19.72	39.44	59.16	78.88	157.76	394.40	788.80	7,888	3.39	5.19
2 to 2½ years..(12/1/70)	20.14	40.28	60.42	80.56	161.12	402.80	805.60	8,056	3.61	5.28
2½ to 3 years...(6/1/71)	20.59	41.18	61.77	82.36	164.72	411.80	823.60	8,236	3.78	5.37
3 to 3½ years..(12/1/71)	21.08	42.16	63.24	84.32	168.64	421.60	843.20	8,432	3.94	5.45
3½ to 4 years...(6/1/72)	21.59	43.18	64.77	86.36	172.72	431.80	863.60	8,636	4.07	5.54
4 to 4½ years..(12/1/72)	22.13	44.26	66.39	88.52	177.04	442.60	885.20	8,852	4.19	5.63
4½ to 5 years...(6/1/73)	22.70	45.40	68.10	90.80	181.60	454.00	908.00	9,080	4.29	5.72
5 to 5½ years..(12/1/73)	23.28	46.56	69.84	93.12	186.24	465.60	931.20	9,312	4.38	5.88
5½ to 6 years...(6/1/74)	23.89	47.78	71.67	95.56	191.12	477.80	955.60	9,556	4.45	6.09
6 to 6½ years..(12/1/74)	24.54	49.08	73.62	98.16	196.32	490.80	981.60	9,816	4.54	6.42
6½ to 7 years...(6/1/75)	25.23	50.46	75.69	100.92	201.84	504.60	1,009.20	10,092	4.62	7.21
MATURITY VALUE (7 years from issue date).......(12/1/75)	**26.14**	**52.28**	**78.42**	**104.56**	**209.12**	**522.80**	**1,045.60**	**10,456**	**4.80**	....

[1] Month, day and year on which issues of Dec. 1, 1968 enter each period. For subsequent issue months add the appropriate number of months.
[2] Based on maturity value in effect on the beginning date of the half-year period.

APPENDIX—Continued

Issue dates	Term to original maturity	Yields: To original maturity date	Yields: To extended maturity date (10 years)	Yields: To second extended maturity date (10 years)
April 1956–November 1956.	9 years 8 months.	3.00% +0.5 June 1, 1959	4.15% +0.1 June 1, 1968	
December 1956–January 1957.	9 years 8 months.	3.00% +0.5 June 1, 1959 +0.4 December 1, 1965	4.15% +0.1 June 1, 1968	
February 1957–May 1959.	8 years 11 months.	3.25% +0.5 June 1, 1959 +0.4 December 1, 1965	4.15% +0.1 June 1, 1968	
June 1959–November 1965.	7 years 9 months.	3.75% +0.4 December 1, 1965 +0.1 June 1, 1968	4.15% +0.1 June 1, 1968 [1]	
December 1965–May 1968.	7 years	4.15% +0.1 June 1, 1968	4.25%	
June 1968–May 1969.	7 years	4.25%	4.25%	

[1] Prior to maturity, the Secretary of the Treasury could prescribe a different yield for extended maturity period for bonds for which Tables of Redemption Values for the extension had not been previously published. Tables of Redemption Values were published for extended maturity period for bonds with issue dates through May 1, 1962.

[F.R. Doc. 70–724; Filed, Jan. 16, 1970; 8:50 a.m.]

Exhibit 5.—Department Circular No. 905, December 12, 1969, Fifth Revision, offering of United States savings bonds, Series H

TREASURY DEPARTMENT,
Washington, December 12, 1969.

PART 332—OFFERING OF UNITED STATES SAVINGS BONDS, SERIES H

The regulations set forth in Treasury Department Circular No. 905, Fourth Revision, dated April 7, 1966, and the tables incorporated therein, as revised and amended (31 CFR Part 332), have been further revised and amended as shown below. The changes were effected under authority of section 22 of the Second Liberty Bond Act, as amended (49 Stat. 21, as amended; 31 U.S.C. 757c), and 5 U.S.C. 301. This revision was originally published in Volume 34, FEDERAL REGISTER, Part III, December 6, 1969, and is republished to include table 2, and subsequent tables, which were not included in the original publication. Notice and public procedures thereon are unnecessary as public property and contracts are involved.

Dated: December 12, 1969.

[SEAL]

JOHN K. CARLOCK,
Fiscal Assistant Secretary.

Treasury Department Circular No. 905, Fourth Revision, dated April 7, 1966, and the tables incorporated therein (31 CFR Part 332), as amended and revised, are hereby further amended and revised, and issued as the Fifth Revision, as follows, effective December 1, 1969.

AUTHORITY: The provisions of this Part 332 issued under authority of sec. 22 of the Second Liberty Bond Act, as amended, 49 Stat. 21, as amended; 31 U.S.C. 757c.

§ 332.1 Offering of bonds.

The Secretary of the Treasury hereby offers for sale to the people of the United States, U.S. Savings Bonds of Series H, hereinafter generally referred to as "Series H bonds" or "bonds." This offer will continue until terminated by the Secretary of the Treasury.

§ 332.2 Description of bonds.

(a) *General.* Series H bonds bear a facsimile of the signature of the Secretary of the Treasury and of the Seal of the Department of the Treasury. They are issued only in registered form and are nontransferable.

(b) *Denominations and prices.* Series H bonds are issued at face (par) amount and are available in denominations of $500, $1,000, and $5,000.

(c) *Inscription and issue.* At the time of issue the issuing agent will (1) inscribe on the face of each Series H bond the name, taxpayer identifying number,[1] and address of the owner, and the name of the beneficiary, if any, or the name and address of the first-named coowner and the taxpayer identifying number[1]

[1] The number required to be used on tax returns and other documents submitted to the Internal Revenue Service (an individual's social security account number or employer identification number). If the coowners are husband and wife, the husband's number should be furnished. If the coowners are a minor and an adult, the adult's number should be furnished.

of one coowner, (2) enter in the upper righthand portion of the bond the issue date, and (3) imprint the agent's dating stamp in the lower right-hand portion to show the date the bond is actually inscribed. A Series H bond shall be valid only if an authorized issuing agent receives payment therefor and duly inscribes, dates, stamps, and delivers it in accordance with the purchaser's instructions.

(d) *Term.* A Series H bond will be dated as of the first day of the month in which payment therefor is received by an agent authorized to issue the bonds. This date is the issue date and the bond will mature and be payable 10 years from the issue date. The bond may not be called for redemption before the maturity date or any authorized extended maturity date, but may be redeemed at par after 6 months from the issue date. However, the Department may require reasonable notice of presentation for redemption before the maturity date or any authorized extended maturity date.

(e) *Interest (investment yield).* The interest on a Series H bond will be paid semiannually by check drawn to the order of the registered owner or coowners, beginning 6 months from issue date. Interest payments will be on a graduate scale, fixed to produce an investment yield of approximately 5 percent per annum, compounded semiannually if the bond is held to maturity but the yield will be less if the bond is redeemed prior thereto (see table 1). Interest will cease at maturity, or at the end of the extension period for bonds for which an extension has been granted, or in the case of redemption before maturity, at the end of the interest period next preceding the date of redemption, except that if the date of redemption falls on an interest payment date, interest will cease on that date.

(f) *Outstanding bonds with issue dates June 1, 1969, or thereafter.* Series H bonds with issue dates of June 1, 1969, or thereafter, and outstanding on the effective date of the regulations in this part, are deemed to be Series H bonds issued under the terms of this part and the interest provided for in paragraph (e) of this section is applicable to such bonds. Series H bond stock on sale prior to June 1, 1969, will be used for issue under this part until such time as new stock is printed and supplied to issuing agents. Such bonds have the new interest rate as fully as if expressly set forth in the text of the bonds. It will be unnecessary for owners to exchange bonds issued on old stock for bonds on new stock as the Department of the Treasury will issue interest checks for the bonds in the appropriate amounts as set forth in Table 1. However, when the new stock becomes available, issuance on the new stock may be obtained by presentation for that purpose of bonds issued on the old stock to any Federal Reserve Bank or Branch, or to the Treasurer of the United States, Securities Division, Washington, D.C. 20220.

§ 332.3 Governing regulations.

Series H bonds are subject to the regulations of the Treasury Department, now or hereafter prescribed, governing U.S. Savings Bonds, contained in Department Circular No. 530, current revision (Part 315 of this subchapter).[1]

§ 332.4 Registration.

(a) *General.* Generally, only residents of the United States, its territories and possessions, the Commonwealth of Puerto Rico, the Canal Zone and citizens of the United States temporarily residing abroad are eligible to be named as owners of Series H bonds. The bonds may be registered in the names of natural persons in their own right as provided in paragraph (b) of this section, and in the names and titles or capacities of fiduciaries and organizations as provided in paragraph (c) of this section. Full information regarding authorized forms of registration and restrictions with respect thereto will be found in the governing regulations.

(b) *Natural persons in their own right.* The bonds may be registered in the names of natural persons (whether adults or minors) in their own right, single ownership, coownership, and beneficiary forms.

(c) *Others.* The bonds may be registered in single ownership form in the names of fiduciaries and private and public organizations, as follows:

(1) *Fiduciaries.* In the names of and showing the titles or capacities of any persons or organizations, public or private, as fiduciaries (including trustees, legal guardians or similar representatives, and certain custodians) but not

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[1] Copies may be obtained on application to any Federal Reserve Bank or Branch or the Bureau of the Public Debt, Washington, D.C. 20220, or its Chicago Office, 536 South Clark Street, Chicago, Ill. 60605.

where the fiduciary would hold the bonds merely or principally as security for the performance of a duty, obligation, or service.

(2) *Private and public organizations.* In the names of private or public organizations (including private corporations, partnerships, and unincorporated associations, and States, counties, public corporations, and other public bodies), in their own right, but not in the names of commercial banks.[1]

§ 332.5 Limitation on holdings.

The amount of Series H bonds originally issued during any 1 calendar year that may be held by any one person, at any one time, computed in accordance with the governing regulations, is limited, as follows:

(a) *General limitation.* $5,000 (face amount) for the calendar year 1969 [2] and each calendar year thereafter.[3]

(b) *Special limitation for gifts to exempt organizations under 26 CFR 1.501 (c)(3)–1.* $200,000 (face amount) for the calendar year 1969 and each calendar year thereafter for bonds received as gifts by an organization which at the time of purchase was an exempt organization under the terms of 26 CFR 1.501(c)(3)–1.

(c) *Exchanges pursuant to Department Circular No. 1036, as amended.* Series H bonds issued in exchange for bonds of Series E [4] under the provisions of Department Circular No. 1036, as amended (Part 339 of this subchapter), are exempt from the annual limitation.

§ 332.6 Purchase of bonds.

(a) *Agents.* Only the Federal Reserve Banks and Branches and the Treasury Department are authorized to act as official issuing agents for the sale of Series H bonds. However, financial institutions may forward applications for purchase of the bonds. The date of receipt of the application and payment to an issuing agent will govern the issue date of the bonds purchased.

(b) *Application for purchase and remittance.* The applicant for purchase of Series H bonds should furnish (1) instructions for registration of the bonds to be issued, which must be in authorized form, (2) the appropriate taxpayer identifying number,[5] (3) the post office address of the owner or first-named coowner, and (4) the address for delivery of the bonds and for mailing checks in payment of interest, if other than that of the owner or first-named coowner. The application should be forwarded to a Federal Reserve Bank or Branch or the Office of the Treasurer of the United States, Securities Division, Washington, D.C. 20220, accompanied by a remittance to cover the purchase price. Any form of exchange including personal checks will be accepted subject to collection. Checks or other forms of exchange should be drawn to the order of the Federal Reserve Bank or Treasurer of the United States, as the case may be. Checks payable by endorsement are not acceptable. Any depositary qualified pursuant to Treasury Department Circular No. 92, current revision (Part 203 of this chapter), will be permitted to make payment by credit for bonds applied for on behalf of its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its district.

§ 332.7 Delivery of bonds.

Authorized issuing agents will deliver the Series H bonds either in person, or by mail at the risk and expense of the United States, at the address given by the purchaser, but only within the United States, its territories and possessions,

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[1] Commercial banks, as defined in § 315.7(c)(1), Department Circular No. 530, current revision, for this purpose are those accepting demand deposits.

[2] Investors who purchased less than $5,000 (face amount) of the bonds prior to the effective date of these regulations will be entitled only to purchase enough to bring their total for the year to that amount. Investors who purchased more than that amount prior to the effective date will not be entitled to purchase additional bonds during the calendar year.

[3] The proceeds of redemption of bonds of Series F, G, J, and K, all now matured, may be used by owners to purchase Series H bonds without regard to the limitation under the conditions and restrictions set forth in § 332.5(b) of the Fourth Revision of this circular.

[4] Series J bonds became ineligible for exchange under Department Circular No. 1036, as amended, on Nov. 1, 1969.

[5] The number required to be used on tax returns and other documents submitted to the Internal Revenue Service (an individual's social security account number or employer identification number). If the coowners are husband and wife, the husband's number should be furnished. If the coowners are a minor and an adult, the adult's number should be furnished.

the Commonwealth of Puerto Rico, and the Canal Zone. No mail deliveries elsewhere will be made. If purchased by citizens of the United States temporarily residing abroad, the bonds will be delivered at such address in the United States as the purchaser directs.

§ 332.8 Extended term and improved yields for outstanding bonds.

(a) *Extended maturity period*—(1) *General.* The term "extended maturity period," when used herein, refers to the interval after the maturity dates during which owners may retain their bonds and continue to earn interest thereon. No special action is required of owners desiring to take advantage of any extensions heretofore or hereby granted. Merely by continuing to hold their bonds after maturity, owners will continue to earn further interest.[1]

(2) *Bonds with issue dates June 1, 1952, through November 1, 1965.* Owners of Series H bonds with issue dates of June 1, 1952, through November 1, 1965, may retain their bonds for an extended maturity period of 10 years.

(b) *Improved yields*[2]—(1) *Outstanding bonds.* The investment yield on all Series H bonds outstanding on the effective date of these regulations is hereby increased to approximately 5 percent per annum, compounded semiannually, as follows:

(i) *Bonds with issue dates June 1, 1961, through May 1, 1969.* For the remaining period to the maturity date.

(ii) *Bonds with issue dates December 1, 1959, through May 1, 1961.* For any remaining period to the maturity date, and for the extended maturity period.

(iii) *Bonds with issue dates June 1, 1952, through November 1, 1959.* For any remaining period to the extended maturity date.

The yield will be less if the bonds are redeemed earlier. The increase, on a graduated basis, will begin with the first interest period starting on or after June 1, 1969.

(2) *Presently authorized extensions.* The investment yield for any presently authorized extension period for which tables of redemption values and investment yields are not announced and published herein will be at the rate in effect for Series H bonds currently issued on the maturity date.

§ 332.9 Taxation.

The income derived from Series H bonds is subject to all taxes imposed under the Internal Revenue Code of 1954. The bonds are subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but are exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, by any of the possessions of the United States, or by any local taxing authority.

§ 332.10 Redemption or payment.

Prior to maturity, or extended maturity for bonds having an extended maturity period, a Series H bond will be redeemed at par at the option of the owner, in whole or in part, in the amount of an authorized denomination or multiple thereof, after 6 months from issue date, upon presentation and surrender of the bond with a duly executed request for payment to (a) a Federal Reserve Bank or Branch, (b) the Office of the Treasurer of the United States, Securities Division, Washington, D.C. 20220 or (c) the Bureau of the Public Debt, Division of Loans and Currency Branch, 536 South Clark Street, Chicago, Ill. 60605. However, a bond received for redemption or payment by an agency during the calendar month preceding an interest payment date will not be redeemed or paid until that date. At or after maturity, or extended maturity for bonds having an extended maturity period, a bond presented for redemption will be paid at par.

§ 322.11 Reservation as to issue of bonds.

The Secretary of the Treasury reserves the right to reject any application for Series H bonds, in whole or in part, and to refuse to issue or permit to be issued hereunder any such bonds in any case or any class or classes of cases if he deems such action to be in the public interest, and his action in any such respect shall be final.

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[1] The tables incorporated herein, arranged according to issue dates, show the current schedules of interest payments and investment yields.

[2] See appendix for maturities and summary of invested yields to maturity and extended maturity dates under regulations heretofore prescribed for Series H bonds with issue dates June 1, 1952, through May 1, 1969.

TABLES OF CHECKS ISSUED AND INVESTMENT YIELDS FOR UNITED STATES SAVINGS BONDS OF SERIES H

Each table shows: (1) The amounts of interest check payments during the current maturity period and during any authorized subsequent maturity period, on bonds bearing issue dates covered by the table; (2) for each maturity period shown, the approximate investment yield on the face value from the beginning of such maturity period to each subsequent interest payment date; and (3) the approximate investment yield on the face value from each interest payment date to next maturity. Yields are expressed in terms of rate percent per annum, compounded semiannually.

TABLE 1

BONDS BEARING ISSUE DATES BEGINNING JUNE 1, 1969

Face value				Approximate investment yield on face value	
Maturity value	$500	$1,000	$5,000		
Redemption value [1]	500	1,000	5,000		
Issue price	500	1,000	5,000		
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination			(2) From issue date to each interest payment date	(3) From each interest payment date to maturity
				Percent	Percent
½ year	$8.75	$17.50	$87.50	3.50	5.10
1 year	12.75	25.50	127.50	4.29	5.10
1½ years	12.75	25.50	127.50	4.55	5.10
2 years	12.75	25.50	127.50	4.69	5.10
2½ years	12.75	25.50	127.50	4.76	5.10
3 years	12.75	25.50	127.50	4.82	5.10
3½ years	12.75	25.50	127.50	4.85	5.10
4 years	12.75	25.50	127.50	4.88	5.10
4½ years	12.75	25.50	127.50	4.90	5.10
5 years	12.75	25.50	127.50	4.92	5.10
5½ years	12.75	25.50	127.50	4.94	5.10
6 years	12.75	25.50	127.50	4.95	5.10
6½ years	12.75	25.50	127.50	4.96	5.10
7 years	12.75	25.50	127.50	4.97	5.10
7½ years	12.75	25.50	127.50	4.97	5.10
8 years	12.75	25.50	127.50	4.98	5.10
8½ years	12.75	25.50	127.50	4.99	5.10
9 years	12.75	25.50	127.50	4.99	5.10
9½ years	12.75	25.50	127.50	5.00	5.10
10 years (maturity)	**12.75**	**25.50**	**127.50**	**5.00**	--------

[1] At all times, except that bond is not redeemable during first 6 months.

TABLE 2

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH SEPTEMBER 1, 1952

Face value						Approximate investment yield on face value	
Issue price		$500	$1,000	$5,000	$10,000		
Redemption and maturity value		500	1,000	5,000	10,000		
Period of time bond is held after maturity date		(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) From each interest payment date to extended maturity [2]
						Percent	Percent
½ year	[1](8/1/62)	$9.37	$18.75	$93.75	$187.50	3.75	3.75
1 year	(2/1/63)	9.37	18.75	93.75	187.50	3.75	3.75
1½ years	(8/1/63)	9.37	18.75	93.75	187.50	3.75	3.75
2 years	(2/1/64)	9.37	18.75	93.75	187.50	3.75	3.75
2½ years	(8/1/64)	9.37	18.75	93.75	187.50	3.75	3.75
3 years	(2/1/65)	9.37	18.75	93.75	187.50	3.75	3.75
3½ years	(8/1/65)	9.37	18.75	93.75	187.50	3.75	3.75
4 years	(2/1/66)	9.37	18.75	93.75	187.50	3.75	4.15
4½ years	(8/1/66)	9.55	19.10	95.50	191.00	3.76	4.19
5 years	(2/1/67)	9.55	19.10	95.50	191.00	3.76	4.23
5½ years	(8/1/67)	9.55	19.10	95.50	191.00	3.77	4.28
6 years	(2/1/68)	10.15	20.30	101.50	203.00	3.79	4.31
6½ years	(8/1/68)	10.15	20.30	101.50	203.00	3.81	4.44
7 years	(2/1/69)	10.15	20.30	101.50	203.00	3.82	4.51
7½ years	(8/1/69)	10.60	21.20	106.00	212.00	3.85	5.00
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1969, revision							
8 years	(2/1/70)	10.80	21.60	108.00	216.00	3.87	5.18
8½ years	(8/1/70)	11.25	22.50	112.50	225.00	3.90	5.42
9 years	(2/1/71)	12.50	25.00	125.00	250.00	3.96	5.64
9½ years	(8/1/71)	12.95	25.90	129.50	259.00	4.01	6.12
10 years (extended maturity) [3]	**(2/1/72)**	**15.30**	**30.60**	**153.00**	**306.00**	**[4] 4.09**	---------------

[1] Month, day, and year on which interest check is payable on issues of June 1, 1952. For subsequent issue months add the appropriate number of months.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 19 years and 8 months after issue date.
[4] Yield on purchase price from issue date to extended maturity is 3.53 percent.

TABLE 3

BONDS BEARING ISSUE DATES FROM OCTOBER 1, 1952 THROUGH MARCH 1, 1953

Face value: Issue price / Redemption and maturity value	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield on face value	
Period of time bond is held after maturity date	(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) From each interest payment date to extended maturity [2]
					Percent	*Percent*
½ year [1] (12/1/62)	$9.37	$18.75	$93.75	$187.50	3.75	3.75
1 year (6/1/63)	9.37	18.75	93.75	187.50	3.75	3.75
1½ years (12/1/63)	9.37	18.75	93.75	187.50	3.75	3.75
2 years (6/1/64)	9.37	18.75	93.75	187.50	3.75	3.75
2½ years (12/1/64)	9.37	18.75	93.75	187.50	3.75	3.75
3 years (6/1/65)	9.37	18.75	93.75	187.50	3.75	3.75
3½ years (12/1/65)	9.37	18.75	93.75	187.50	3.75	4.15
4 years (6/1/66)	9.55	19.10	95.50	191.00	3.76	4.18
4½ years (12/1/66)	9.55	19.10	95.50	191.00	3.76	4.22
5 years (6/1/67)	9.55	19.10	95.50	191.00	3.77	4.26
5½ years (12/1/67)	10.05	20.10	100.50	201.00	3.79	4.29
6 years (6/1/68)	10.05	20.10	100.50	201.00	3.81	4.43
6½ years (12/1/68)	10.05	20.10	100.50	201.00	3.82	4.50
7 years (6/1/69)	10.60	21.20	106.00	212.00	3.85	5.00
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1969, revision						
7½ years (12/1/69)	10.80	21.60	108.00	216.00	3.88	5.14
8 years (6/1/70)	11.20	22.40	112.00	224.00	3.91	5.32
8½ years (12/1/70)	11.55	23.10	115.50	231.00	3.94	5.56
9 years (6/1/71)	12.80	25.60	128.00	256.00	4.00	5.79
9½ years (12/1/71)	13.20	26.40	132.00	264.00	4.05	6.32
10 years (extended maturity) [3] (6/1/72)	**15.80**	**31.60**	**158.00**	**316.00**	**[4] 4.15**	

[1] Month, day, and year on which interest check is payable on issues of Oct. 1, 1952. For subsequent issue months add the appropriate number of months.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 19 years and 8 months after issue date.
[4] Yield from issue date to extended maturity date on bonds dated: Oct. 1 and Nov. 1, 1952 is 3.55 percent; Dec. 1, 1952 through Mar. 1, 1953 is 3.56 percent.

TABLE 4

BONDS BEARING ISSUE DATES FROM APRIL 1 THROUGH SEPTEMBER 1, 1953

Face value						
Issue price	**$500**	**$1,000**	**$5,000**	**$10,000**	Approximate investment yield on face value	
Redemption and maturity value	500	1,000	5,000	10,000		
Period of time bond is held after maturity date	(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) From each interest payment date to extended maturity [2]
					Percent	*Percent*
½ year [1] (6/1/63)	$9.37	$18.75	$93.75	$187.50	3.75	3.75
1 year (12/1/63)	9.37	18.75	93.75	187.50	3.75	3.75
1½ years (6/1/64)	9.37	18.75	93.75	187.50	3.75	3.75
2 years (12/1/64)	9.37	18.75	93.75	187.50	3.75	3.75
2½ years (6/1/65)	9.37	18.75	93.75	187.50	3.75	3.75
3 years (12/1/65)	9.37	18.75	93.75	187.50	3.75	4.15
3½ years (6/1/66)	9.55	19.10	95.50	191.00	3.76	4.18
4 years (12/1/66)	9.55	19.10	95.50	191.00	3.77	4.21
4½ years (6/1/67)	9.55	19.10	95.50	191.00	3.77	4.26
5 years (12/1/67)	10.00	20.00	100.00	200.00	3.79	4.28
5½ years (6/1/68)	10.00	20.00	100.00	200.00	3.81	4.42
6 years (12/1/68)	10.00	20.00	100.00	200.00	3.82	4.48
6½ years (6/1/69)	10.50	21.00	105.00	210.00	3.85	5.00
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1969, revision						
7 years (12/1/69)	10.65	21.30	106.50	213.00	3.88	5.13
7½ years (6/1/70)	11.00	22.00	110.00	220.00	3.91	5.29
8 years (12/1/70)	11.35	22.70	113.50	227.00	3.94	5.49
8½ years (6/1/71)	12.60	25.20	126.00	252.00	3.99	5.64
9 years (12/1/71)	12.95	25.90	129.50	259.00	4.05	5.88
9½ years (6/1/72)	13.30	26.60	133.00	266.00	4.10	6.46
10 years (extended maturity) [3] (12/1/72)	**16.15**	**32.30**	**161.50**	**323.00**	**[4] 4.20**	

[1] Month, day, and year on which interest check is payable on issues of Apr. 1, 1953. For subsequent issue months add the appropriate number of months.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 19 years and 8 months after issue date.
[4] Yield from issue date to extended maturity date on bonds dated: Apr. 1 and May 1, 1953 is 3.59 percent; June 1 through Sept. 1, 1953 is 3.60 percent.

TABLE 5

BONDS BEARING ISSUE DATES FROM OCTOBER 1, 1953 THROUGH MARCH 1, 1954

Face value					Approximate investment yield on face value	
Issue price	$500	$1,000	$5,000	$10,000		
Redemption and maturity value	500	1,000	5,000	10,000		
Period of time bond is held after maturity date	(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) From each interest payment date to extended maturity [2]
					Percent	*Percent*
½ year [1](12/1/63)	$9.37	$18.75	$93.75	$187.50	3.75	3.75
1 year (6/1/64)	9.37	18.75	93.75	187.50	3.75	3.75
1½ years (12/1/64)	9.37	18.75	93.75	187.50	3.75	3.75
2 years (6/1/65)	9.37	18.75	93.75	187.50	3.75	3.75
2½ years (12/1/65)	9.37	18.75	93.75	187.50	3.75	4.15
3 years (6/1/66)	9.55	19.10	95.50	191.00	3.76	4.18
3½ years (12/1/66)	9.55	19.10	95.50	191.00	3.77	4.21
4 years (6/1/67)	9.55	19.10	95.50	191.00	3.78	4.25
4½ years (12/1/67)	9.95	19.90	99.50	199.00	3.80	4.27
5 years (6/1/68)	9.95	19.90	99.50	199.00	3.81	4.41
5½ years (12/1/68)	9.95	19.90	99.50	199.00	3.83	4.46
6 years (6/1/69)	10.45	20.90	104.50	209.00	3.85	5.00
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1969, revision						
6½ years (12/1/69)	10.60	21.20	106.00	212.00	3.88	5.12
7 years (6/1/70)	10.90	21.80	109.00	218.00	3.91	5.25
7½ years (12/1/70)	11.25	22.50	112.50	225.00	3.94	5.42
8 years (6/1/71)	11.55	23.10	115.50	231.00	3.98	5.63
8½ years (12/1/71)	12.90	25.80	129.00	258.00	4.04	5.79
9 years (6/1/72)	13.25	26.50	132.50	265.00	4.10	6.05
9½ years (12/1/72)	13.55	27.10	135.50	271.00	4.15	6.70
10 years (extended maturity) [3] (6/1/73)	**16.75**	**33.50**	**167.50**	**335.00**	**[4] 4.26**	

[1] Month, day, and year on which interest check is payable on issues of Oct. 1, 1953. For subsequent issue months add the appropriate number of months.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 19 years and 8 months after issue date.
[4] Yield from issue date to extended maturity date on bonds dated: Oct. 1 and Nov. 1, 1953 is 3.62 percent; Dec. 1, 1953 through Mar. 1, 1954 is 3.64 percent.

TABLE 6

BONDS BEARING ISSUE DATES FROM APRIL 1 THROUGH SEPTEMBER 1, 1954

Face value					Approximate investment yield on face value	
Issue price	**$500**	**$1,000**	**$5,000**	**$10,000**		
Redemption and maturity value	**500**	**1,000**	**5,000**	**10,000**		
Period of time bond is held after maturity date	(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) From each interest payment date to extended maturity [2]
					Percent	*Percent*
½ year [1] (6/1/64)	$9.37	$18.75	$93.75	$187.50	3.75	3.75
1 year (12/1/64)	9.37	18.75	93.75	187.50	3.75	3.75
1½ years (6/1 65)	9.37	18.75	93.75	187.50	3.75	3.75
2 years (12/1/65)	9.37	18.75	93.75	187.50	3.75	4.15
2½ years (6/1/66)	9.55	19.10	95.5	191.00	3.76	4.18
3 years (12/1/66)	9.55	19.10	95.50	191.00	3.77	4.20
3½ years (6/1/67)	9.55	19.10	95.50	191.00	3.78	4.24
4 years (12/1/67)	9.55	19.10	95.50	191.00	3.78	4.28
4½ years (6/1/68)	10.15	20.30	101.50	203.00	3.81	4.40
5 years (12/1/68)	10.15	20.30	101.50	203.00	3.83	4.44
5½ years (6/1/69)	10.15	20.30	101.50	203.00	3.85	5.00
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1969, revision						
6 years (12/1/69)	10.30	20.60	103.00	206.00	3.87	5.12
6½ years (6/1/70)	11.05	22.10	110.50	221.00	3.91	5.23
7 years (12/1/70)	11.30	22.60	113.00	226.00	3.95	5.36
7½ years (6/1/71)	11.60	23.20	116.00	232.00	3.99	5.52
8 years (12/1/71)	11.90	23.80	119.00	238.00	4.03	5.72
8½ years (6/1/72)	13.10	26.20	131.00	262.00	4.09	5.89
9 years (12/1/72)	13.40	26.80	134.00	268.00	4.15	6.16
9½ years (6/1/73)	13.70	27.40	137.00	274.00	4.21	6.86
10 years (extended maturity) [3] (12/1/73)	**17.15**	**34.30**	**171.50**	**343.00**	[4] 4.31	

[1] Month, day, and year on which interest check is payable on issues of Apr. 1, 1954. For subsequent issue months add the appropriate number of months.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 19 years and 8 months after issue date.
[4] Yield from issue date to extended maturity date on bonds dated: Apr. 1 and May 1, 1954 is 3.66 percent; June 1 through Sept. 1, 1954 is 3.68 percent.

397-702 O—71——18

TABLE 7

BONDS BEARING ISSUE DATES FROM OCTOBER 1, 1954 THROUGH MARCH 1, 1955

Face value: Issue price / Redemption and maturity value	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield on face value	
Period of time bond is held after maturity date	(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) From each interest payment date to extended maturity [2]
					Percent	*Percent*
½ year [1] (12/1/64)	$9.37	$18.75	$93.75	$187.50	3.75	3.75
1 year (6/1/65)	9.37	18.75	93.75	187.50	3.75	3.75
1½ years (12/1/65)	9.37	18.75	93.75	187.50	3.75	4.15
2 years (6/1/66)	9.55	19.10	95.50	191.00	3.77	4.17
2½ years (12/1/66)	9.55	19.10	95.50	191.00	3.78	4.20
3 years (6/1/67)	9.55	19.10	95.50	191.00	3.78	4.23
3½ years (12/1/67)	9.55	19.10	95.50	191.00	3.79	4.27
4 years (6/1/68)	10.10	20.20	101.00	202.00	3.82	4.39
4½ years (12/1/68)	10.10	20.20	101.00	202.00	3.84	4.43
5 years (6/1/69)	10.10	20.20	101.00	202.00	3.86	5.00
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1969, revision						
5½ years (12/1/69)	10.25	20.50	102.50	205.00	3.88	5.11
6 years (6/1/70)	10.95	21.90	109.50	219.00	3.92	5.22
6½ years (12/1/70)	11.20	22.40	112.00	224.00	3.95	5.33
7 years (6/1/71)	11.50	23.00	115.00	230.00	4.00	5.46
7½ years (12/1/71)	11.75	23.50	117.50	235.00	4.04	5.63
8 years (6/1/72)	12.05	24.10	120.50	241.00	4.08	5.85
8½ years (12/1/72)	13.35	26.70	133.50	267.00	4.14	6.02
9 years (6/1/73)	13.65	27.30	136.50	273.00	4.20	6.32
9½ years (12/1/73)	13.95	27.90	139.50	279.00	4.26	7.08
10 years (extended maturity) [3] (6/1/74)	**17.70**	**35.40**	**177.00**	**354.00**	**[4] 4.37**	

[1] Month, day, and year on which interest check is payable on issues of Oct. 1, 1954. For subsequent issue months add the appropriate number of months.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 19 years and 8 months after issue date.
[4] Yield from issue date to extended maturity date on bonds dated: Oct. 1 and Nov. 1, 1954 is 3.70 percent; Dec. 1, 1954 through Mar. 1, 1955 is 3.71 percent.

TABLE 8

BONDS BEARING ISSUE DATES FROM APRIL 1 THROUGH SEPTEMBER 1, 1955

Face value					
Issue price	$500	$1,000	$5,000	$10,000	Approximate investment yield on face value
Redemption and maturity value	500	1,000	5,000	10,000	

Period of time bond is held after maturity date	(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) From each interest payment date to extended maturity [2]
					Percent	*Percent*
½ year [1] (6/1/65)	$9.37	$18.75	$93.75	$187.50	3.75	3.75
1 year (12/1/65)	9.37	18.75	93.75	187.50	3.75	4.15
1½ years (6/1/66)	9.55	19.10	95.50	191.00	3.77	4.18
2 years (12/1/66)	9.55	19.10	95.50	191.00	3.78	4.20
2½ years (6/1/67)	9.55	19.10	95.50	191.00	3.79	4.23
3 years (12/1/67)	9.55	19.10	95.50	191.00	3.80	4.27
3½ years (6/1/68)	10.05	20.10	100.50	201.00	3.83	4.39
4 years (12/1/68)	10.05	20.10	100.50	201.00	3.85	4.42
4½ years (6/1/69)	10.05	20.10	100.50	201.00	3.87	5.00
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1969, revision						
5 years (12/1/69)	10.15	20.30	101.50	203.00	3.88	5.10
5½ years (6/1/70)	10.40	20.80	104.00	208.00	3.91	5.22
6 years (12/1/70)	11.30	22.60	113.00	226.00	3.95	5.32
6½ years (6/1/71)	11.55	23.10	115.50	231.00	4.00	5.43
7 years (12/1/71)	11.85	23.70	118.50	237.00	4.04	5.55
7½ years (6/1/72)	12.10	24.20	121.00	242.00	4.09	5.71
8 years (12/1/72)	12.35	24.70	123.50	247.00	4.13	5.91
8½ years (6/1/73)	13.45	26.90	134.50	269.00	4.20	6.10
9 years (12/1/73)	13.75	27.50	137.50	275.00	4.26	6.42
9½ years (6/1/74)	14.05	28.10	140.50	281.00	4.31	7.24
10 Years (extended maturity)[3] (12/1/74)	**18.10**	**36.20**	**181.00**	**362.00**	**[4] 4.43**	

[1] Month, day, and year on which interest check is payable on issues of Apr. 1, 1955. For subsequent issue months add the appropriate number of months.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 19 years and 8 months after issue date.
[4] Yield from issue date to extended maturity date on bonds dated: Apr. 1 and May 1, 1955 is 3.74 percent; June 1 through Sept. 1, 1955 is 3.75 percent.

TABLE 9

BONDS BEARING ISSUE DATES FROM OCTOBER 1, 1955 THROUGH MARCH 1, 1956

Face value: Issue price / Redemption and maturity value	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield on face value	
Period of time bond is held after maturity date	(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) From each interest payment date to extended maturity [2]
					Percent	Percent
½ year [1] (12/1/65)	$9.37	$18.75	$93.75	$187.50	3.75	4.15
1 year (6/1/66)	9.55	19.10	95.50	191.00	3.78	4.17
1½ years (12/1/66)	9.55	19.10	95.50	191.00	3.80	4.20
2 years (6/1/67)	9.55	19.10	95.50	191.00	3.80	4.23
2½ years (12/1/67)	9.55	19.10	95.50	191.00	3.81	4.26
3 years (6/1/68)	10.00	20.00	100.00	200.00	3.84	4.38
3½ years (12/1/68)	10.00	20.00	100.00	200.00	3.86	4.42
4 years (6/1/69)	10.00	20.00	100.00	200.00	3.87	5.00
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1969, revision						
4½ years (12/1/69)	10.10	20.20	101.00	202.00	3.89	5.10
5 years (6/1/70)	10.35	20.70	103.50	207.00	3.91	5.21
5½ years (12/1/70)	11.25	22.50	112.50	225.00	3.96	5.30
6 years (6/1/71)	11.45	22.90	114.50	229.00	4.01	5.40
6½ years (12/1/71)	11.70	23.40	117.00	234.00	4.05	5.51
7 years (6/1/72)	11.95	23.90	119.50	239.00	4.10	5.65
7½ years (12/1/72)	12.20	24.40	122.00	244.00	4.14	5.81
8 years (6/1/73)	13.25	26.50	132.50	265.00	4.20	5.95
8½ years (12/1/73)	13.50	27.00	135.00	270.00	4.26	6.14
9 years (6/1/74)	13.75	27.50	137.50	275.00	4.32	6.48
9½ years (12/1/74)	14.00	28.00	140.00	280.00	4.37	7.38
10 years (extended maturity) [3] (6/1/75)	**18.45**	**36.90**	**184.50**	**369.00**	**[4] 4.49**	

[1] Month, day, and year on which interest check is payable on issues of Oct. 1, 1955. For subsequent issue months add the appropriate number of months.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 19 years and 8 months after issue date.
[4] Yield from issue date to extended maturity date on bonds dated: Oct. 1 and Nov. 1, 1955 is 3.78 percent; Dec. 1, 1955 through Mar. 1, 1956 is 3.80 percent.

TABLE 10

BONDS BEARING ISSUE DATES FROM APRIL 1 THROUGH MAY 1, 1956

Face value					Approximate investment yield on face value	
Issue price	$500	$1,000	$5,000	$10,000		
Redemption and maturity value	500	1,000	5,000	10,000		
Period of time bond is held after maturity date	(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) From each interest payment date to extended maturity [2]
					Percent	Percent
½ year [1] (6/1/66)	$10.37	$20.75	$103.75	$207.50	4.15	4.15
1 year (12/1/66)	10.37	20.75	103.75	207.50	4.15	4.15
1½ years (6/1/67)	10.37	20.75	103 75	207.50	4.15	4.15
2 years (12/1/67)	10.37	20.75	103.75	207.50	4.15	4.15
2½ years (6/1/68)	10.37	20.75	103.75	207.50	4.15	4 25
3 years (12/1/68)	10.37	20.75	103.75	207.50	4.15	4.26
3½ years (6/1/69)	10.37	20.75	103.75	207.50	4.15	5.00
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1969, revision						
4 years (12/1/69)	10.50	21.00	105.00	210.00	4.16	5.08
4½ years (6/1/70)	10.80	21.60	108.00	216.00	4.17	5.16
5 years (12/1/70)	11.10	22.20	111.00	222.00	4.20	5.24
5½ years (6/1/71)	11.40	22.80	114.00	228.00	4.23	5.32
6 years (12/1/71)	11.65	23.30	116.50	233.00	4.26	5.41
6½ years (6/1/72)	11.95	23.90	119.50	239.00	4.29	5.51
7 years (12/1/72)	12.30	24.60	123.00	246.00	4.33	5.62
7½ years (6/1/73)	12.60	25.20	126.00	252.00	4.37	5.75
8 years (12/1/73)	12.90	25.80	129.00	258.00	4.41	5.91
8½ years (6/1/74)	13.20	26.40	132.00	264.00	4.46	6.13
9 years (12/1/74)	13.55	27.10	135.50	271.00	4.50	6.49
9½ years (6/1/75)	13.85	27.70	138.50	277.00	4.54	7.48
10 years (extended maturity) [3] (12/1/75)	**18.70**	**37.40**	**187.00**	**374.00**	**[4] 4.66**	

[1] Month, day, and year on which interest check is payable on issues of Apr. 1, 1956. For issues of May 1, 1956 add 1 month.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 19 years and 8 months after issue date.
[4] Yield on purchase price from issue date to extended maturity is 3.86 percent.

TABLE 11

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH SEPTEMBER 1. 1956

Face value					
Issue price	$500	$1,000	$5,000	$10,000	Approximate investment yield on face value
Redemption and maturity value	500	1,000	5,000	10,000	

Period of time bond is held after maturity date	(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) From each interest payment date to extended maturity [2]
					Percent	*Percent*
½ year [1] (8/1/66)	$10.37	$20.75	$103.75	$207.50	4.15	4.15
1 year (2/1/67)	10.37	20.75	103.75	207.50	4.15	4.15
1½ years (8/1/67)	10.37	20.75	103.75	207.50	4.15	4.15
2 years (2/1/68)	10.37	20.75	103.75	207.50	4.15	4.15
2½ years (8/1/68)	10.37	20.75	103.75	207.50	4.15	4.25
3 years (2/1/69)	10.37	20.75	103.75	207.50	4.15	4.26
3½ years (8/1/69)	10.37	20.75	103.75	207.50	4.15	5.00
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1969, revision						
4 years (2/1/70)	10.50	21.00	105.00	210.00	4.16	5.08
4½ years (8/1/70)	10.80	21.60	108.00	216.00	4.17	5.16
5 years (2/1/71)	11.10	22.20	111.00	222.00	4.20	5.24
5½ years (8/1/71)	11.40	22.80	114.00	228.00	4.23	5.32
6 years (2/1/72)	11.65	23.30	116.50	233.00	4.26	5.41
6½ years (8/1/72)	11.95	23.90	119.50	239.00	4.29	5.51
7 years (2/1/73)	12.30	24.60	123.00	246.00	4.33	5.62
7½ years (8/1/73)	12.60	25.20	126.00	252.00	4.37	5.75
8 years (2/1/74)	12.90	25.80	129.00	258.00	4.41	5.91
8½ years (8/1/74)	13.20	26.40	132.00	264.00	4.46	6.13
9 years (2/1/75)	13.55	27.10	135.50	271.00	4.50	6.49
9½ years (8/1/75)	13.85	27.70	138.50	277.00	4.54	7.48
10 years (extended maturity) [3] (2/1/76)	**18.70**	**37.40**	**187.00**	**374.00**	[4] **4.66**	

[1] Month, day, and year on which interest check is payable on issues of June 1, 1956. For subsequent issue months add the appropriate number of months.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 19 years and 8 months after issue date.
[4] Yield on purchase price from issue date to extended maturity is 3.88 percent.

TABLE 12

BONDS BEARING ISSUE DATES FROM OCTOBER 1 THROUGH NOVEMBER 1, 1956

Face value					Approximate investment yield on face value	
Issue price	**$500**	**$1,000**	**$5,000**	**$10,000**		
Redemption and maturity value	**500**	**1,000**	**5,000**	**10,000**		
Period of time bond is held after maturity date	(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) From each interest payment date to extended maturity [2]
					Percent	*Percent*
½ year [1](12/1/66)	$10.37	$20.75	$103.75	$207.50	4.15	4.15
1 year (6/1/67)	10.37	20.75	103.75	207.50	4.15	4.15
1½ years (12/1/67)	10.37	20.75	103.75	207.50	4.15	4.15
2 years (6/1/68)	10.37	20.75	103.75	207.50	4.15	4.25
2½ years (12/1/68)	10.37	20.75	103.75	207.50	4.15	4.26
3 years (6/1/69)	10.37	20.75	103.75	207.50	4.15	5.00
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1969, revision						
3½ years (12/1/69)	10.50	21.00	105.00	210.00	4.16	5.07
4 years (6/1/70)	10.75	21.50	107.50	215.00	4.17	5.14
4½ years (12/1/70)	11.05	22.10	110.50	221.00	4.20	5.22
5 years (6/1/71)	11 30	22.60	113.00	226.00	4.23	5.30
5½ years (12/1/71)	11.60	23.20	116.00	232.00	4.26	5.38
6 years (6/1/72)	11.85	23.70	118.50	237.00	4.30	5.47
6½ years (12/1/72)	12.15	24.30	121.50	243.00	4.33	5.57
7 years (6/1/73)	12.45	24.90	124.50	249.00	4.37	5.68
7½ years (12/1/73)	12.70	25.40	127.00	254.00	4.41	5.81
8 years (6/1/74)	13.00	26.00	130.00	260.00	4.46	5.97
8½ years (12/1/74)	13.30	26.60	133.00	266.00	4.50	6.20
9 years (6/1/75)	13.60	27 20	136.00	272.00	4.54	6.59
9½ years (12/1/75)	13.95	27.90	139.50	279.00	4.58	7.64
10 years (extended maturity) [3] (6/1/76)	**19.10**	**38.20**	**191.00**	**382.00**	**[4] 4.70**	

[1] Month, day, and year on which interest check is payable on issues of Oct. 1, 1956. For issues of Nov. 1, 1956 add 1 month.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 19 years and 8 months after issue date.
[4] Yield on purchase price from issue date to extended maturity is 3.89 percent.

TABLE 13

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1956 THROUGH JANUARY 1, 1957

Face value					Approximate investment yield on face value	
Issue price	$500	$1,000	$5,000	$10,000		
Redemption and maturity value	500	1,000	5,000	10,000		
Period of time bond is held after maturity date	(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) From each interest payment date to extended maturity [2]
					Percent	*Percent*
½ year [1] (2/1/67)	$10.37	$20.75	$103.75	$207.50	4.15	4.15
1 year (8/1/67)	10.37	20.75	103.75	207.50	4.15	4.15
1½ years (2/1/68)	10.37	20.75	103.75	207.50	4.15	4.15
2 years (8/1/68)	10.37	20.75	103.75	207.50	4.15	4.25
2½ years (2/1/69)	10.37	20.75	103.75	207.50	4.15	4.26
3 years (8/1/69)	10.37	20.75	103.75	207.50	4.15	5.00
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1969, revision						
3½ years (2/1/70)	10.50	21.00	105.00	210.00	4.16	5.07
4 years (8/1/70)	10.75	21.50	107.50	215.00	4.17	5.14
4½ years (2/1/71)	11.05	22.10	110.50	221.00	4.20	5.22
5 years (8/1/71)	11.30	22.60	113.00	226.00	4.23	5.30
5½ years (2/1/72)	11.60	23.20	116.00	232.00	4.26	5.38
6 years (8/1/72)	11.85	23.70	118.50	237.00	4.30	5.47
6½ years (2/1/73)	12.15	24.30	121.50	243.00	4.33	5.57
7 years (8/1/73)	12.45	24.90	124.50	249.00	4.37	5.68
7½ years (2/1/74)	12.70	25.40	127.00	254.00	4.41	5.81
8 years (8/1/74)	13.00	26.00	130.00	260.00	4.46	5.97
8½ years (2/1/75)	13.30	26.60	133.00	266.00	4.50	6.20
9 years (8/1/75)	13.60	27.20	136.00	272.00	4.54	6.59
9½ years (2/1/76)	13.95	27.90	139.50	279.00	4.58	7.64
10 years (extended maturity) [3] (8/1/76)	**19.10**	**38.20**	**191.00**	**382.00**	**[4] 4.70**	

[1] Month, day, and year on which interest check is payable on issues of Dec. 1, 1956. For issues of Jan. 1, 1957 add 1 month.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 19 years and 8 months after issue date.
[4] Yield on purchase price from issue date to extended maturity is 3.92 percent.

TABLE 14

BONDS BEARING ISSUE DATES FROM FEBRUARY 1 THROUGH MAY 1, 1957

Face value					Approximate investment yield on face value	
Issue price	**$500**	**$1,000**	**$5,000**	**$10,000**		
Redemption and maturity value	**500**	**1,000**	**5,000**	**10,000**		
Period of time bond is held after maturity date	(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) From each interest payment date to extended maturity [2]
					Percent	*Percent*
½ year [1](8/1/67)	$10.37	$20.75	$103.75	$207.50	4.15	4.15
1 year (2/1/68)	10.37	20.75	103.75	207.50	4.15	4.15
1½ years (8/1/68)	10.37	20.75	103.75	207.50	4.15	4.25
2 years (2/1/69)	10.37	20.75	103.75	207.50	4.15	4.26
2½ years (8/1/69)	10.37	20.75	103.75	207.50	4.15	5.00
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1969, revision						
3 years (2/1/70)	10.50	21.00	105.00	210.00	4.16	5.07
3½ years (8/1/70)	10.75	21.50	107.50	215.00	4.18	5.14
4 years (2/1/71)	11.00	22.00	110.00	220.00	4.20	5.21
4½ years (8/1/71)	11.25	22.50	112.50	225.00	4.23	5.28
5 years (2/1/72)	11.50	23.00	115.00	230.00	4.27	5.36
5½ years (8/1/72)	11.75	23.50	117.50	235.00	4.30	5.44
6 years (2/1/73)	12.05	24.10	120.50	241.00	4.34	5.53
6½ years (8/1/73)	12.30	24.60	123.00	246.00	4.38	5.63
7 years (2/1/74)	12.55	25.10	125.50	251.00	4.42	5.74
7½ years (8/1/74)	12.85	25.70	128.50	257.00	4.46	5.87
8 years (2/1/75)	13.10	26.20	131.00	262.00	4.50	6.04
8½ years (8/1/75)	13.40	26.80	134.00	268.00	4.54	6.28
9 years (2/1/76)	13.70	27.40	137.00	274.00	4.58	6.69
9½ years (8/1/76)	14.00	28.00	140.00	280.00	4.63	7.82
10 years (extended maturity) [3] (2/1/77)	**19.55**	**39.10**	**195.50**	**391.00**	**[4] 4.75**	

[1] Month, day, and year on which interest check is payable on issues of Feb. 1, 1957. For subsequent issue months add the appropriate number of months.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 20 years after issue date.
[4] Yield on purchase price from issue date to extended maturity is 4.09 percent.

TABLE 15

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1957

Face value		$500	$1,000	$5,000	$10,000	Approximate investment yield on face value	
Face value	Issue price	$500	$1,000	$5,000	$10,000		
	Redemption and maturity value	500	1,000	5,000	10,000		
Period of time bond is held after maturity date		(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) From each interest payment date to extended maturity [2]
						Percent	*Percent*
½ year	[1] (12/1/67)	$10.37	$20.75	$103.75	$207.50	4.15	4.15
1 year	(6/1/68)	10.37	20.75	103.75	207.50	4.15	4.25
1½ years	(12/1/68)	10.37	20.75	103.75	207.50	4.15	4.26
2 years	(6/1/69)	10.37	20.75	103.75	207.50	4.15	5.00
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1969, revision							
2½ years	(12/1/69)	10.50	21.00	105.00	210.00	4.16	5.07
3 years	(6/1/70)	10.70	21.40	107.00	214.00	4.18	5.13
3½ years	(12/1/70)	10.95	21.90	109.50	219.00	4.21	5.20
4 years	(6/1/71)	11.20	22.40	112.00	224.00	4.24	5.27
4½ years	(12/1/71)	11.45	22.90	114.50	229.00	4.27	5.34
5 years	(6/1/72)	11.70	23.40	117.00	234.00	4.31	5.42
5½ years	(12/1/72)	11.95	23.90	119.50	239.00	4.35	5.50
6 years	(6/1/73)	12.20	24.40	122.00	244.00	4.39	5.59
6½ years	(12/1/73)	12.45	24.90	124.50	249.00	4.43	5.68
7 years	(6/1/74)	12.70	25.40	127.00	254.00	4.47	5.79
7½ years	(12/1/74)	12.95	25.90	129.50	259.00	4.51	5.92
8 years	(6/1/75)	13.20	26.40	132.00	264.00	4.55	6.10
8½ years	(12/1/75)	13.50	27.00	135.00	270.00	4.59	6.34
9 years	(6/1/76)	13.75	27.50	137.50	275.00	4.63	6.78
9½ years	(12/1/76)	14.05	28.10	140.50	281.00	4.67	7.98
10 years (extended maturity) [3]	**(6/1/77)**	**19.95**	**39.90**	**199.50**	**399.00**	[4] **4.80**	

[1] Month, day, and year on which interest check is payable on issues of June 1, 1957. For subsequent issue months add the appropriate number of months.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 20 years after issue date.
[4] Yield on purchase price from issue date to extended maturity is 4.13 percent.

TABLE 16

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1957 THROUGH MAY 1, 1958

Face value					Approximate investment yield on face value	
Issue price	$500	$1,000	$5,000	$10,000		
Redemption and maturity value	500	1,000	5,000	10,000		
Period of time bond is held after maturity date	(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) From each interest payment date to extended maturity [2]
					Percent	*Percent*
½ year [1](6/1/68)	$10.37	$20.75	$103.75	$207.50	4.15	4.25
1 year (12/1/68)	10.37	20.75	103.75	207.50	4.15	4.26
1½ years (6/1/69)	10.37	20.75	103.75	207.50	4.15	5.00
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1969, revision						
2 years (12/1/69)	10.50	21.00	105.00	210.00	4.16	5.06
2½ years (6/1/70)	10.70	21.40	107.00	214.00	4.18	5.12
3 years (12/1/70)	10.90	21.80	109.00	218.00	4.21	5.19
3½ years (6/1/71)	11.15	22.30	111.50	223.00	4.25	5.25
4 years (12/1/71)	11.35	22.70	113.50	227.00	4.28	5.32
4½ years (6/1/72)	11.60	23.20	116.00	232.00	4.32	5.39
5 years (12/1/72)	11.85	23.70	118.50	237.00	4.35	5.47
5½ years (6/1/73)	12.05	24.10	120.50	241.00	4.39	5.55
6 years (12/1/73)	12.30	24.60	123.00	246.00	4.43	5.64
6½ years (6/1/74)	12.55	25.10	125.50	251.00	4.47	5.73
7 years (12/1/74)	12.80	25.60	128.00	256.00	4.51	5.85
7½ years (6/1/75)	13.05	26.10	130.50	261.00	4.55	5.98
8 years (12/1/75)	13.30	26.60	133.00	266.00	4.59	6.16
8½ years (6/1/76)	13.55	27.10	135.50	271.00	4.63	6.42
9 years (12/1/76)	13.85	27.70	138.50	277.00	4.67	6.88
9½ years (6/1/77)	14.10	28.20	141.00	282.00	4.71	8.16
10 years (extended maturity) [3] (12/1/77)	**20.40**	**40.80**	**204.00**	**408.00**	[4] 4.85	

[1] Month, day, and year on which interest check is payable on issues of Dec. 1, 1957. For subsequent issue months add the appropriate number of months.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 20 years after issue date.
[4] Yield on purchase price from issue date to extended maturity is 4.17 percent.

TABLE 17

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1958

Face value					
Issue price	$500	$1,000	$5,000	$10,000	Approximate investment yield on face value
Redemption[1] and maturity value	500	1,000	5,000	10,000	

Period of time bond is held after maturity date	(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) From each interest payment date to extended maturity [2]
					Percent	*Percent*
½ year [1] (12/1/68)	$10.37	$20.75	$103.75	$207.50	4.15	4.26
1 year (6/1/69)	10.37	20.75	103.75	207.50	4.15	5.00
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1969, revision						
1½ years (12/1/69)	10.50	21.00	105.00	210.00	4.17	5.06
2 years (6/1/70)	10.70	21.40	107.00	214.00	4.19	5.12
2½ years (12/1/70)	10.90	21.80	109.00	218.00	4.23	5.18
3 years (6/1/71)	11.10	22.20	111.00	222.00	4.26	5.24
3½ years (12/1/71)	11.30	22.60	113.00	226.00	4.29	5.31
4 years (6/1/72)	11.55	23.10	115.50	231.00	4.33	5.37
4½ years (12/1/72)	11.75	23.50	117.50	235.00	4.37	5.45
5 years (6/1/73)	12.00	24.00	120.00	240.00	4.41	5.52
5½ years (12/1/73)	12.20	24.40	122.00	244.00	4.45	5.60
6 years (6/1/74)	12.45	24.90	124.50	249.00	4.49	5.69
6½ years (12/1/74)	12.65	25.30	126.50	253.00	4.52	5.79
7 years (6/1/75)	12.90	25.80	129.00	258.00	4.56	5.90
7½ years (12/1/75)	13.15	26.30	131.50	263.00	4.60	6.04
8 years (6/1/76)	13.40	26.80	134.00	268.00	4.64	6.22
8½ years (12/1/76)	13.65	27.30	136.50	273.00	4.68	6.49
9 years (6/1/77)	13.90	27.80	139.00	278.00	4.72	6.98
9½ years (12/1/77)	14.15	28.30	141.50	283.00	4.76	8.34
10 years (extended maturity)[3] (6/1/78)	**20.85**	**41.70**	**208.50**	**417.00**	**[4] 4.90**	

[1] Month, day, and year on which interest check is payable on issues of June 1, 1958. For subsequent issue months add the appropriate number of months.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 20 years after issue date.
[4] Yield on purchase price from issue date to extended maturity is 4.22 percent.

TABLE 18

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1958 THROUGH MAY 1, 1959

Face value					Approximate investment yield on face value	
Issue price	$500	$1,000	$5,000	$10,000		
Redemption and [1] maturity value	500	1,000	5,000	10,000		
Period of time bond is held after maturity date	(1) Amounts of interest checks for each denomination — EXTENDED MATURITY PERIOD				(2) From beginning of extended maturity period to each interest payment date	(3) From each interest payment date to extended maturity [2]
					Percent	Percent
½ year [1] (6/1/69)	$10.37	$20.75	$103.75	$207.50	4.15	5.00
Amounts of interest checks and investment yields to extended maturity on basis of June 1,1969 revision						
1 year (12/1/69)	10.45	20.90	104.50	209.00	4.16	5.05
1½ years (6/1/70)	10.65	21.30	106.50	213.00	4.20	5.11
2 years (12/1/70)	10.85	21.70	108.50	217.00	4.23	5.17
2½ years (6/1/71)	11.05	22.10	110.50	221.00	4.27	5.23
3 years (12/1/71)	11.30	22.60	113.00	226.00	4.31	5.29
3½ years (6/1/72)	11.50	23.00	115.00	230.00	4.35	5.35
4 years (12/1/72)	11.70	23.40	117.00	234 00	4.38	5.42
4½ years (6/1/73)	11.90	23.80	119.00	238.00	4.42	5.49
5 years (12/1/73)	12.10	24.20	121.00	242.00	4.46	5.56
5½ years (6/1/74)	12.35	24.70	123.50	247.00	4.50	5.64
6 years (12/1/74)	12.55	25.10	125.50	251.00	4.54	5.73
6½ years (6/1/75)	12.80	25.60	128.00	256.00	4.58	5.83
7 years (12/1/75)	13.00	26.00	130.00	260.00	4.61	5.94
7½ years (6/1/76)	13.25	26.50	132.50	265.00	4.65	6.08
8 years (12/1/76)	13.50	27.00	135.00	270.00	4.69	6.26
8½ years (6/1/77)	13.75	27.50	137.50	275.00	4.73	6.53
9 years (12/1/77)	14.00	28.00	140.00	280.00	4.77	7.02
9½ years (6/1/78)	14.25	28.50	142.50	285.00	4.81	8.38
10 years (extended maturity) [3] (12/1/78)	**20.95**	**41.90**	**209.50**	**419.00**	**[4] 4.95**	

[1] Month, day, and year on which interest check is payable on issues of Dec. 1, 1958. For subsequent issue months add the appropriate number of months.
[2] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[3] 20 years after issue date.
[4] Yield on purchase price from issue date to extended maturity is 4.27 percent.

TABLE 19

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1959

Face value: Issue price / Redemption[1] and maturity value	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield on face value	
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date or maturity date to each interest payment date thereafter	(3) From each interest payment date (a) to maturity[3]
					Percent	*Percent*
½ year[2] (12/1/59)	$4.00	$8.00	$40.00	$80.00	1.60	3.88
1 year (6/1/60)	7.25	14.50	72.50	145.00	2.25	3.95
1½ years (12/1/60)	8.00	16.00	80.00	160.00	2.56	4.00
2 years (6/1/61)	10.00	20.00	100.00	200.00	2.91	4.00
2½ years (12/1/61)	10.00	20.00	100.00	200.00	3.12	4.00
3 years (6/1/62)	10.00	20.00	100.00	200.00	3.26	4.00
3½ years (12/1/62)	10.00	20.00	100.00	200.00	3.36	4.00
4 years (6/1/63)	10.00	20.00	100.00	200.00	3.44	4.00
4½ years (12/1/63)	10.00	20.00	100.00	200.00	3.49	4.00
5 years (6/1/64)	10.00	20.00	100.00	200.00	3.54	4.00
5½ years (12/1/64)	10.00	20.00	100.00	200.00	3.58	4.00
6 years (6/1/65)	10.00	20.00	100.00	200.00	3.61	4.00
6½ years (12/1/65)	10.00	20.00	100.00	200.00	3.64	4.41
7 years (6/1/66)	10.20	20.40	102.00	204.00	3.66	4.47
7½ years (12/1/66)	10.20	20.40	102.00	204.00	3.69	4.55
8 years (6/1/67)	10.90	21.80	109.00	218.00	3.72	4.60
8½ years (12/1/67)	10.90	21.80	109.00	218.00	3.76	4.68
9 years (6/1/68)	11.70	23.40	117.00	234.00	3.80	4.78
9½ years (12/1/68)	11.70	23.40	117.00	234.00	3.84	4.88
10 years (maturity) (6/1/69)	**12.21**	**24.42**	**122.10**	**244.20**	3.88	
Period of time bond is held after maturity date	EXTENDED MATURITY PERIOD					(b) To extended maturity[3]
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1969, revision						
½ year (12/1/69)	12.50	25.00	125.00	250.00	5.00	5.00
1 year (6/1/70)	12.50	25.00	125.00	250.00	5.00	5.00
1½ years (12/1/70)	12.50	25.00	125.00	250.00	5.00	5.00
2 years (6/1/71)	12.50	25.00	125.00	250.00	5.00	5.00
2½ years (12/1/71)	12.50	25.00	125.00	250.00	5.00	5.00
3 years (6/1/72)	12.50	25.00	125.00	250.00	5.00	5.00
3½ years (12/1/72)	12.50	25.00	125.00	250.00	5.00	5.00
4 years (6/1/73)	12.50	25.00	125.00	250.00	5.00	5.00
4½ years (12/1/73)	12.50	25.00	125.00	250.00	5.00	5.00
5 years (6/1/74)	12.50	25.00	125.00	250.00	5.00	5.00
5½ years (12/1/74)	12.50	25.00	125.00	250.00	5.00	5.00
6 years (6/1/75)	12.50	25.00	125.00	250.00	5.00	5.00
6½ years (12/1/75)	12.50	25.00	125.00	250.00	5.00	5.00
7 years (6/1/76)	12.50	25.00	125.00	250.00	5.00	5.00
7½ years (12/1/76)	12.50	25.00	125.00	250.00	5.00	5.00
8 years (6/1/77)	12.50	25.00	125.00	250.00	5.00	5.00
8½ years (12/1/77)	12.50	25.00	125.00	250.00	5.00	5.00
9 years (6/1/78)	12.50	25.00	125.00	250.00	5.00	5.00
9½ years (12/1/78)	12.50	25.00	125.00	250.00	5.00	5.00
10 years (extended maturity)[4] (6/1/79)	**12.50**	**25.00**	**125.00**	**250.00**	[5] **5.00**	

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of June 1, 1959. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[4] 20 years after issue date.
[5] Yield on purchase price from issue date to extended maturity is 4.32 percent.

TABLE 20

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1959 THROUGH MAY 1, 1960

Face value: Issue price / Redemption[1] and maturity value	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield on face value	
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date or maturity date to each interest payment date thereafter	(3) From each interest payment date (a) to maturity[3]
					Percent	*Percent*
½ year (6/1/60)[2]	$4.00	$8.00	$40.00	$80.00	1.60	3.88
1 year (12/1/60)	7.25	14.50	72.50	145.00	2.25	3.95
1½ years (6/1/61)	8.00	16.00	80.00	160.00	2.56	4.00
2 years (12/1/61)	10.00	20.00	100.00	200.00	2.91	4.00
2½ years (6/1/62)	10.00	20.00	100.00	200.00	3 12	4.00
3 years (12/1/62)	10.00	20.00	100.00	200.00	3.26	4.00
3½ years (6/1/63)	10.00	20.00	100.00	200.00	3.36	4.00
4 years (12/1/63)	10.00	20.00	100.00	200.00	3.44	4.00
4½ years (6/1/64)	10.00	20.00	100.00	200.00	3.49	4.00
5 years (12/1/64)	10.00	20.00	100.00	200.00	3.54	4.00
5½ years (6/1/65)	10.00	20.00	100.00	200.00	3.58	4.00
6 years (12/1/65)	10.00	20.00	100.00	200.00	3.61	4.41
6½ years (6/1/66)	10.20	20.40	102.00	204.00	3.64	4.46
7 years (12/1/66)	10.20	20.40	102.00	204.00	3.67	4.52
7½ years (6/1/67)	10.80	21.60	108.00	216.00	3.71	4.57
8 years (12/1/67)	10.80	21.60	108.00	216.00	3.74	4.63
8½ years (6/1/68)	10.80	21.60	108.00	216.00	3.77	4.84
9 years (12/1/68)	11.85	23.70	118.50	237.00	3.81	4.89
9½ years (6/1/69)	11.85	23.70	118.50	237.00	3.85	5.05
10 years (maturity) (12/1/69)	**12.62**	**25.24**	**126.20**	**252.40**	**3.90**	
Period of time bond is held after maturity date	EXTENDED MATURITY PERIOD					(b) To extended maturity[3]
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1969, revision						
½ year (6/1/70)	12.50	25.00	125.00	250.00	5.00	5.00
1 year (12/1/70)	12.50	25.00	125.00	250.00	5.00	5.00
1½ years (6/1/71)	12.50	25.00	125.00	250.00	5.00	5.00
2 years (12/1/71)	12.50	25.00	125.00	250.00	5.00	5.00
2½ years (6/1/72)	12.50	25.00	125.00	250.00	5.00	5.00
3 years (12/1/72)	12.50	25.00	125.00	250.00	5.00	5.00
3½ years (6/1/73)	12.50	25.00	125.00	250.00	5.00	5.00
4 years (12/1/73)	12.50	25.00	125.00	250.00	5.00	5.00
4½ years (6/1/74)	12.50	25.00	125.00	250.00	5.00	5.00
5 years (12/1/74)	12.50	25.00	125.00	250.00	5.00	5.00
5½ years (6/1/75)	12.50	25.00	125.00	250.00	5.00	5.00
6 years (12/1/75)	12.50	25.00	125.00	250.00	5.00	5.00
6½ years (6/1/76)	12.50	25.00	125.00	250.00	5.00	5.00
7 years (12/1/76)	12.50	25.00	125.00	250.00	5.00	5.00
7½ years (6/1/77)	12.50	25.00	125.00	250.00	5.00	5.00
8 years (12/1/77)	12.50	25.00	125.00	250.00	5.00	5.00
8½ years (6/1/78)	12.50	25.00	125.00	250.00	5.00	5.00
9 years (12/1/78)	12.50	25.00	125.00	250.00	5.00	5.00
9½ years (6/1/79)	12.50	25.00	125.00	250.00	5.00	5.00
10 years (extended maturity)[4] (12/1/79)	**12.50**	**25.00**	**125.00**	**250.00**	**[5] 5.00**	

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of Dec. 1, 1959. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[4] 20 years after issue date.
[5] Yield on purchase price from issue date to extended maturity is 4.33 percent.

TABLE 21

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1960

Face value					Approximate investment yield on face value	
Issue price	$500	$1,000	$5,000	$10,000		
Redemption [1] and maturity value	500	1,000	5,000	10,000		
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date or maturity date to each interest payment date thereafter	(3) From each interest payment date (a) to maturity [3]
					Percent	Percent
½ year [2] (12/1/60)	$4.00	$8.00	$40.00	$80.00	1.60	3.88
1 year (6/1/61)	7.25	14.50	72.50	145.00	2.25	3.95
1½ years (12/1/61)	8.00	16.00	80.00	160.00	2.56	4.00
2 years (6/1/62)	10.00	20.00	100.00	200.00	2.91	4.00
2½ years (12/1/62)	10.00	20.00	100.00	200.00	3.12	4.00
3 years (6/1/63)	10.00	20.00	100.00	200.00	3.26	4.00
3½ years (12/1/63)	10.00	20.00	100.00	200.00	3.36	4.00
4 years (6/1/64)	10.00	20.00	100.00	200.00	3.44	4.00
4½ years (12/1/64)	10.00	20.00	100.00	200.00	3.49	4.00
5 years (6/1/65)	10.00	20.00	100.00	200.00	3.54	4.00
5½ years (12/1/65)	10.00	20.00	100.00	200.00	3.58	4.40
6 years (6/1/66)	10.20	20.40	102.00	204.00	3.62	4.44
6½ years (12/1/66)	10.20	20.40	102.00	204.00	3.65	4.50
7 years (6/1/67)	10.70	21.40	107.00	214.00	3.69	4.54
7½ years (12/1/67)	10.70	21.40	107.00	214.00	3.72	4.60
8 years (6/1/68)	10.70	21.40	107.00	214.00	3.75	4.78
8½ years (12/1/68)	10.70	21.40	107.00	214.00	3.78	4.96
9 years (6/1/69)	12.05	24.10	120.50	241.00	3.83	5.03
9½ years (12/1/69)	12.05	24.10	120.50	241.00	3.87	5.24
10 years (maturity) (6/1/70)	**13.09**	**26.18**	**130.90**	**261.80**	**3.93**	
Period of time bond is held after maturity date	EXTENDED MATURITY PERIOD					(b) To extended maturity [3]
Amounts of interest checks and investment yields to extended maturity on basis of June 1, 1969, revision						
½ year (12/1/70)	12.50	25.00	125.00	250.00	5.00	5.00
1 year (6/1/71)	12.50	25.00	125.00	250.00	5.00	5.00
1½ years (12/1/71)	12.50	25.00	125.00	250.00	5.00	5.00
2 years (6/1/72)	12.50	25.00	125.00	250.00	5.00	5.00
2½ years (12/1/72)	12.50	25.00	125.00	250.00	5.00	5.00
3 years (6/1/73)	12.50	25.00	125.00	250.00	5.00	5.00
3½ years (12/1/73)	12.50	25.00	125.00	250.00	5.00	5.00
4 years (6/1/74)	12.50	25.00	125.00	250.00	5.00	5.00
4½ years (12/1/74)	12.50	25.00	125.00	250.00	5.00	5.00
5 years (6/1/75)	12.50	25.00	125.00	250.00	5.00	5.00
5½ years (12/1/75)	12.50	25.00	125.00	250.00	5.00	5.00
6 years (6/1/76)	12.50	25.00	125.00	250.00	5.00	5.00
6½ years (12/1/76)	12.50	25.00	125.00	250.00	5.00	5.00
7 years (6/1/77)	12.50	25.00	125.00	250.00	5.00	5.00
7½ years (12/1/77)	12.50	25.00	125.00	250.00	5.00	5.00
8 years (6/1/78)	12.50	25.00	125.00	250.00	5.00	5.00
8½ years (12/1/78)	12.50	25.00	125.00	250.00	5.00	5.00
9 years (6/1/79)	12.50	25.00	125.00	250.00	5.00	5.00
9½ (12/1/79)	12.50	25.00	125.00	250.00	5.00	5.00
10 years (extended maturity) [4] (6/1/80)	**12.50**	**25.00**	**125.00**	**250.00**	[5] **5.00**	

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of June 1, 1960. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[4] 20 years after issue date.
[5] Yield on purchase price from issue date to extended maturity is 4.34 percent.

TABLE 22

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1960 THROUGH MAY 1, 1961

Face value: Issue price / Redemption [1] and maturity value	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield on face value	
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date or maturity date to each interest payment date thereafter	(3) From each interest payment date (a) to maturity [3]
					Percent	*Percent*
½ year [2] (6/1/61)	$4.00	$8.00	$40.00	$80.00	1.60	3.88
1 year (12/1/61)	7.25	14.50	72.50	145 00	2.25	3.95
1½ years (6/1/62)	8.00	16.00	80.00	160.00	2.56	4.00
2 years (12/1/62)	10.00	20.00	100.00	200.00	2.91	4.00
2½ years (6/1/63)	10.00	20.00	100.00	200.00	3.12	4.00
3 years (12/1/63)	10.00	20.00	100.00	200.00	3.26	4.00
3½ years (6/1/64)	10.00	20.00	100.00	200.00	3.36	4.00
4 years (12/1/64)	10.00	20.00	100.00	200.00	3.44	4.00
4½ years (6/1/65)	10.00	20.00	100.00	200.00	3.49	4.00
5 years (12/1/65)	10.00	20.00	100.00	200.00	3.54	4.40
5½ years (6/1/66)	10.20	20.40	102.00	204.00	3.58	4.44
6 years (12/1/66)	10.20	20.40	102.00	204.00	3.62	4.49
6½ years (6/1/67)	10.20	20.40	102.00	204.00	3.65	4.56
7 years (12/1/67)	11.00	22.00	110.00	220.00	3.70	4.58
7½ years (6/1/68)	11.00	22.00	110.00	220.00	3.74	4.72
8 years (12/1/68)	11.00	22.00	110.00	220.00	3.78	4.81
8½ years (6/1/69)	11.00	22.00	110.00	220.00	3.81	5.00
Amounts of interest checks and investment yields to maturity on basis of June 1, 1969, revision						
9 years (12/1/69)	12.00	24.00	120.00	240.00	3.85	5.10
9½ years (6/1/70)	12.05	24.10	120.50	241.00	3.89	5.38
10 years (maturity) (12/1/70)	**13.45**	**26.90**	**134.50**	**269.00**	**3.96**	
Period of time bond is held after maturity date	EXTENDED MATURITY PERIOD					(b) To extended maturity [3]
½ year (6/1/71)	12.50	25.00	125.00	250.00	5.00	5.00
1 year (12/1/71)	12.50	25.00	125.00	250.00	5.00	5.00
1½ years (6/1/72)	12.50	25.00	125.00	250.00	5.00	5.00
2 years (12/1/72)	12.50	25.00	125.00	250.00	5.00	5.00
2½ years (6/1/73)	12.50	25.00	125.00	250 00	5.00	5.00
3 years (12/1/73)	12.50	25.00	125.00	250.00	5.00	5.00
3½ years (6/1/74)	12.50	25.00	125.00	250.00	5.00	5.00
4 years (12/1/74)	12.50	25.00	125.00	250.00	5.00	5.00
4½ years (6/1/75)	12.50	25.00	125.00	250.00	5.00	5.00
5 years (12/1/75)	12.50	25.00	125.00	250.00	5.00	5.00
5½ years (6/1/76)	12.50	25.00	125.00	250.00	5.00	5.00
6 years (12/1/76)	12.50	25.00	125.00	250.00	5.00	5.00
6½ years (6/1/77)	12.50	25.00	125.00	250.00	5.00	5.00
7 years (12/1/77)	12.50	25.00	125.00	250.00	5.00	5.00
7½ years (6/1/78)	12.50	25.00	125.00	250.00	5.00	5.00
8 years (12/1/78)	12.50	25.00	125.00	250.00	5.00	5.00
8½ years (6/1/79)	12.50	25.00	125.00	250.00	5.00	5.00
9 years (12/1/79)	12.50	25.00	125.00	250.00	5.00	5.00
9½ years (6/1/80)	12.50	25.00	125.00	250.00	5.00	5.00
10 years (extended maturity) [4] (12/1/80)	**12.50**	**25.00**	**125.00**	**250.00**	**[5] 5.00**	

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of Dec. 1, 1960. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.
[4] 20 years after issue date.
[5] Yield on purchase price from issue date to extended maturity is 4.36 precent.

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TABLE 23

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1961

Face value	$500	$1,000	$5,000	$10,000	Approximate investment yield on face value	
Issue price	$500	$1,000	$5,000	$10,000		
Redemption[1] and maturity value	500	1,000	5,000	10,000		
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) From each interest payment date to maturity [3]
					Percent	Percent
½ year [2] (12/1/61)	$4.00	$8.00	$40.00	$80.00	1.60	3.88
1 year (6/1/62)	7.25	14.50	72.50	145.00	2.25	3.95
1½ years (12/1/62)	8.00	16.00	80.00	160.00	2.56	4.00
2 years (6/1/63)	10.00	20.00	100.00	200.00	2.91	4.00
2½ years (12/1/63)	10.00	20.00	100.00	200.00	3.12	4.00
3 years (6/1/64)	10.00	20.00	100.00	200.00	3.26	4.00
3½ years (12/1/64)	10.00	20.00	100.00	200.00	3.36	4.00
4 years (6/1/65)	10.00	20.00	100.00	200.00	3.44	4.00
4½ years (12/1/65)	10.00	20.00	100.00	200.00	3.49	4.40
5 years (6/1/66)	10.20	20.40	102.00	204.00	3.55	4.44
5½ years (12/1/66)	10.20	20.40	102.00	204.00	3.59	4.48
6 years (6/1/67)	10.20	20.40	102.00	204.00	3.63	4.54
6½ years (12/1/67)	10.85	21.70	108.50	217.00	3.68	4.57
7 years (6/1/68)	10.85	21.70	108.50	217.00	3.72	4.71
7½ years (12/1/68)	10.85	21.70	108.50	217.00	3.75	4.79
8 years (6/1/69)	11.35	22.70	113.50	227.00	3.80	5.00
Amounts of interest checks and investment yields to maturity on basis of June 1, 1969, revision						
8½ years (12/1/69)	11.45	22.90	114.50	229.00	3.84	5.14
9 years (6/1/70)	11.65	23.30	116.50	233.00	3.87	5.40
9½ years (12/1/70)	12.60	25.20	126.00	252.00	3.92	5.76
10 years (maturity) (6/1/71)	**14.40**	**28.80**	**144.00**	**288.00**	**4.00**	

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of June 1, 1961. For susbequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed

TABLE 24

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1961 THROUGH MAY 1, 1962

Face value	$500	$1,000	$5,000	$10,000	Approximate investment yield on face value	
Issue price	$500	$1,000	$5,000	$10,000		
Redemption[1] and maturity value	500	1,000	5,000	10,000		
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) From each interest payment date to maturity [3]
					Percent	Percent
½ year [2] (6/1/62)	$4.00	$8.00	$40.00	$80.00	1.60	3.88
1 year (12/1/62)	7.25	14.50	72.50	145.00	2.25	3.95
1½ years (6/1/63)	8.00	16.00	80.00	160.00	2.56	4.00
2 years (12/1/63)	10.00	20.00	100.00	200.00	2.91	4.00
2½ years (6/1/64)	10.00	20.00	100.00	200.00	3.12	4.00
3 years (12/1/64)	10.00	20.00	100.00	200.00	3.26	4.00
3½ years (6/1/65)	10.00	20.00	100.00	200.00	3.36	4.00
4 years (12/1/65)	10.00	20.00	100.00	200.00	3.44	4.40
4½ years (6/1/66)	10.20	20.40	102.00	204.00	3.50	4.43
5 years (12/1/66)	10.20	20.40	102.00	204.00	3.56	4.47
5½ years (6/1/67)	10.20	20.40	102.00	204.00	3.60	4.52
6 years (12/1/67)	10.75	21.50	107.50	215.00	3.65	4.55
6½ years (6/1/68)	10.75	21.50	107.50	215.00	3.69	4.69
7 years (12/1/68)	10.75	21.50	107.50	215.00	3.73	4.76
7½ years (6/1/69)	11.25	22.50	112.50	225.00	3.78	5.00
Amounts of interest checks and investment yields to maturity on basis of June 1, 1969, revision						
8 years (12/1/69)	11.35	22.70	113.50	227.00	3.82	5.12
8½ years (6/1/70)	11.50	23.00	115.00	230.00	3.86	5.31
9 years (12/1/70)	12.45	24.90	124.50	249.00	3.91	5.47
9½ years (6/1/71)	12.65	25.30	126.50	253.00	3.96	5.90
10 years (maturity) (12/1/71)	**14.75**	**29.50**	**147.50**	**295.00**	**4.04**	

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of December 1, 1961. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed

TABLE 25

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1962

Face value						
Issue price	**$500**	**$1,000**	**$5,000**	**$10,000**	Approximate investment yield on face value	
Redemption [1] and maturity value	500	1,000	5,000	10,000		
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) From each interest payment date to maturity [3]
					Percent	*Percent*
½ year [2](12/1/62)	$4.00	$8.00	$40.00	$80.00	1.60	3.88
1 year (6/1/63)	7.25	14.50	72.50	145.00	2.25	3.95
1½ years (12/1/63)	8.00	16.00	80.00	160.00	2.56	4.00
2 years (6/1/64)	10.00	20.00	100.00	200.00	2.91	4.00
2½ years (12/1/64)	10.00	20.00	100.00	200.00	3.12	4.00
3 years (6/1/65)	10.00	20.00	100.00	200.00	3.26	4.00
3½ years (12/1/65)	10.00	20.00	100.00	200.00	3.36	4.40
4 years (6/1/66)	10.20	20.40	102.00	204.00	3.45	4.43
4½ years (12/1/66)	10.20	20.40	102.00	204.00	3.51	4.47
5 years (6/1/67)	10.20	20.40	102.00	204.00	3.56	4.51
5½ years (12/1/67)	10.65	21.30	106.50	213.00	3.62	4.54
6 years (6/1/68)	10.65	21.30	106.50	213.00	3.67	4.68
6½ years (12/1/68)	10.65	21.30	106.50	213.00	3.71	4.75
7 years (6/1/69)	11.25	22.50	112.50	225.00	3.76	5.00
Amounts of interest checks and investment yields to maturity on basis of June 1, 1969, revision						
7½ years (12/1/69)	11.35	22.70	113.50	227.00	3.80	5.10
8 years (6/1/70)	11.50	23.00	115.00	230.00	3.85	5.23
8½ years (12/1/70)	11.70	23.40	117.00	234.00	3.89	5.42
9 years (6/1/71)	12.65	25.30	126.50	253.00	3.94	5.61
9½ years (12/1/71)	12.85	25.70	128.50	257.00	3.99	6.10
10 years (maturity) (6/1/72)	**15.25**	**30.50**	**152.50**	**305.00**	4.08	

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of June 1, 1962. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.

TABLE 26

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1962 THROUGH MAY 1, 1963

Face value						
Issue price	**$500**	**$1,000**	**$5,000**	**$10,000**	Approximate investment yield on face value	
Redemption [1] and maturity value	500	1,000	5,000	10,000		
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) From each interest payment date to maturity [3]
					Percent	*Percent*
½ year [2](6/1/63)	$4.00	$8.00	$40.00	$80.00	1.60	3.88
1 year (12/1/63)	7.25	14.50	72.50	145.00	2.25	3.95
1½ years (6/1/64)	8.00	16.00	80.00	160.00	2.56	4.00
2 years (12/1/64)	10.00	20.00	100.00	200.00	2.91	4.00
2½ years (6/1/65)	10.00	20.00	100.00	200.00	3.12	4.00
3 years (12/1/65)	10.00	20.00	100.00	200.00	3.26	4.40
3½ years (6/1/66)	10.20	20.40	102.00	204.00	3.37	4.43
4 years (12/1/66)	10.20	20.40	102.00	204.00	3.45	4.46
4½ years (6/1/67)	10.20	20.40	102.00	204.00	3.52	4.50
5 years (12/1/67)	10.60	21.20	106.00	212.00	3.58	4.53
5½ years (6/1/68)	10.60	21.20	106.00	212.00	3.64	4.67
6 years (12/1/68)	10.60	21.20	106.00	212.00	3.68	4.73
6½ years (6/1/69)	11.15	22.30	111.50	223.00	3.74	5.00
Amounts of interest checks and investment yields to maturity on basis of June 1, 1969, revision						
7 years (12/1/69)	11.25	22.50	112.50	225.00	3.78	5.09
7½ years (6/1/70)	11.40	22.80	114.00	228.00	3.83	5.20
8 years (12/1/70)	11.55	23.10	115.50	231.00	3.87	5.36
8½ years (6/1/71)	12.55	25.10	125.50	251.00	3.93	5.48
9 years (12/1/71)	12.70	25.40	127.00	254.00	3.98	5.68
9½ years (6/1/72)	12.90	25.80	129.00	258.00	4.03	6.22
10 years (maturity) (12/1/72)	**15.55**	**31.10**	**155.50**	**311.00**	4.12	

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of Dec. 1, 1962. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.

TABLE 27

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1963

Face value: Issue price	$500	$1,000	$5,000	$10,000	Approximate investment yield on face value	
Face value: Redemption[1] and maturity value	500	1,000	5,000	10,000		
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) From each interest payment date to maturity [3]
					Percent	*Percent*
½ year (12/1/63)[2]	$4.00	$8.00	$40.00	$80.00	1.60	3.88
1 year (6/1/64)	7.25	14.50	72.50	145.00	2.25	3.95
1½ years (12/1/64)	8.00	16.00	80.00	160.00	2.56	4.00
2 years (6/1/65)	10.00	20.00	100.00	200.00	2.91	4.00
2½ years (12/1/65)	10.00	20.00	100.00	200.00	3.12	4.40
3 years (6/1/66)	10.20	20.40	102.00	204.00	3.27	4.43
3½ years (12/1/66)	10.20	20.40	102.00	204.00	3.38	4.46
4 years (6/1/67)	10.20	20.40	102.00	204.00	3.46	4.49
4½ years (12/1/67)	10.55	21.10	105.50	211.00	3.54	4.52
5 years (6/1/68)	10.55	21.10	105.50	211.00	3.60	4.66
5½ years (12/1/68)	10.55	21.10	105.50	211.00	3.65	4.71
6 years (6/1/69)	11.10	22.20	111.00	222.00	3.71	5.00
Amounts of interest checks and investment yields to maturity on basis of June 1, 1969, revision						
6½ years (12/1/69)	11.20	22.40	112.00	224.00	3.77	5.08
7 years (6/1/70)	11.35	22.70	113.50	227.00	3.81	5.18
7½ years (12/1/70)	11.50	23.00	115.00	230.00	3.86	5.31
8 years (6/1/71)	11.65	23.30	116.50	233.00	3.90	5.48
8½ years (12/1/71)	12.80	25.60	128.00	256.00	3.96	5.61
9 years (6/1/72)	12.95	25.90	129.50	259.00	4.02	5.83
9½ years (12/1/72)	13.10	26.20	131.00	262.00	4.07	6.44
10 years (maturity) (6/1/73)	**16.10**	**32.20**	**161.00**	**322.00**	4.16	

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of June 1, 1963. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.

TABLE 28

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1963 THROUGH MAY 1, 1964

Face value: Issue price	$500	$1,000	$5,000	$10,000	Approximate investment yield on face value	
Face value: Redemption[1] and maturity value	500	1,000	5,000	10,000		
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) From each interest payment date to maturity [3]
					Percent	*Percent*
½ year [2] (6/1/64)	$4.00	$8.00	$40.00	$80.00	1.60	3.88
1 year (12/1/64)	7.25	14.50	72.50	145.00	2.25	3.95
1½ years (6/1/65)	8.00	16.00	80.00	160.00	2.56	4.00
2 years (12/1/65)	10.00	20.00	100.00	200.00	2.91	4.40
2½ years (6/1/66)	10.20	20.40	102.00	204.00	3.14	4.43
3 years (12/1/66)	10.20	20.40	102.00	204.00	3.29	4.46
3½ years (6/1/67)	10.20	20.40	102.00	204.00	3.39	4.49
4 years (12/1/67)	10.20	20.40	102.00	204.00	3.47	4.53
4½ years (6/1/68)	10.75	21.50	107.50	215.00	3.56	4.65
5 years (12/1/68)	10.75	21.50	107.50	215.00	3.63	4.69
5½ years (6/1/69)	10.75	21.50	107.50	215.00	3.68	5.00
Amounts of interest checks and investment yields to maturity on basis of June 1, 1969, revision						
6 years (12/1/69)	10.80	21.60	108.00	216.00	3.73	5.09
6½ years (6/1/70)	11.45	22.90	114.50	229.00	3.79	5.17
7 years (12/1/70)	11.60	23.20	116.00	232.00	3.84	5.27
7½ years (6/1/71)	11.75	23.50	117.50	235.00	3.89	5.39
8 years (12/1/71)	11.90	23.80	119.00	238.00	3.94	5.55
8½ years (6/1/72)	12.90	25.80	129.00	258.00	4.00	5.69
9 years (12/1/72)	13.05	26.10	130.50	261.00	4.05	5.94
9½ years (6/1/73)	13.20	26.40	132.00	264.00	4.10	6.62
10 years (maturity) (12/1/73)	**16.55**	**33.10**	**165.50**	**331.00**	4.21	

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of Dec. 1, 1963. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.

TABLE 29

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1964

Face value					Approximate investment yield on face value	
Issue price	$500	$1,000	$5,000	$10,000		
Redemption[1] and maturity value	500	1,000	5,000	10,000		
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) From each interest payment date to maturity [3]
					Percent	*Percent*
½ year [2] (12/1/64)	$4.00	$8.00	$40.00	$80.00	1.60	3.88
1 year (6/1/65)	7.25	14.50	72.50	145.00	2.25	3.95
1½ years (12/1/65)	8.00	16.00	80.00	160.00	2.56	4.40
2 years (6/1/66)	10.20	20.40	102.00	204.00	2.93	4.42
2½ years (12/1/66)	10.20	20.40	102.00	204.00	3.15	4.45
3 years (6/1/67)	10.20	20.40	102.00	204.00	3.30	4.48
3½ years (12/1/67)	10.20	20.40	102.00	204.00	3.41	4.52
4 years (6/1/68)	10.70	21.40	107.00	214.00	3.51	4.64
4½ years (12/1/68)	10.70	21.40	107.00	214.00	3.59	4.68
5 years (6/1/69)	10.70	21.40	107.00	214.00	3.65	5.00
Amounts of interest checks and investment yields to maturity on basis of June 1, 1969, revision						
5½ years (12/1/69)	10.75	21.50	107.50	215.00	3.70	5.09
6 years (6/1/70)	11.40	22.80	114.00	228.00	3.77	5.16
6½ years (12/1/70)	11.55	23.10	115.50	231.00	3.82	5.24
7 years (6/1/71)	11.70	23.40	117.00	234.00	3.88	5.35
7½ years (12/1/71)	11.85	23.70	118.50	237.00	3.93	5.48
8 years (6/1/72)	12.00	24.00	120.00	240.00	3.97	5.66
8½ years (12/1/72)	13.10	26.20	131.00	262.00	4.04	5.81
9 years (6/1/73)	13.25	26.50	132.50	265.00	4.09	6.07
9½ years (12/1/73)	13.40	26.80	134.00	268.00	4.15	6.80
10 years (maturity) (6/1/74)	**17.00**	**34.00**	**170.00**	**340.00**	**4.25**	----------

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of June 1, 1964. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.

TABLE 30

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1964 THROUGH MAY 1, 1965

Face value					Approximate investment yield on face value	
Issue price	$500	$1,000	$5,000	$10,000		
Redemption[1] and maturity value	500	1,000	5,000	10,000		
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) From each interest payment date to maturity [3]
					Percent	*Percent*
½ year [2] (6/1/65)	$4.00	$8.00	$40.00	$80.00	1.60	3.88
1 year (12/1/65)	7.25	14.50	72.50	145.00	2.25	4.35
1½ years (6/1/66)	8.20	16.40	82.00	164.00	2.59	4.42
2 years (12/1/66)	10.20	20.40	102.00	204.00	2.95	4.45
2½ years (6/1/67)	10.20	20.40	102.00	204.00	3.17	4.48
3 years (12/1/67)	10.20	20.40	102.00	204.00	3.31	4.51
3½ years (6/1/68)	10.65	21.30	106.50	213.00	3.44	4.63
4 years (12/1/68)	10.65	21.30	106.50	213.00	3.54	4 67
4½ years (6/1/69)	10.65	21.30	106.50	213.00	3.61	5.00
Amounts of interest checks and investment yields to maturity on basis of June 1, 1969, revision						
5 years (12/1/69)	10.70	21.40	107.00	214.00	3.67	5.08
5½ years (6/1/70)	10.85	21.70	108.50	217.00	3.73	5.18
6 years (12/1/70)	11.70	23.40	117.00	234.00	3.80	5.25
6½ years (6/1/71)	11.80	23.60	118.00	236.00	3.86	5.33
7 years (12/1/71)	11.95	23.90	119.50	239.00	3.92	5.43
7½ years (6/1/72)	12.10	24.20	121.00	242.00	3.97	5.56
8 years (12/1/72)	12.25	24.50	122.50	245.00	4.02	5.73
8½ years (6/1/73)	13.20	26.40	132.00	264.00	4.08	5.89
9 years (12/1/73)	13.35	26.70	133.50	267.00	4.14	6.18
9½ years (6/1/74)	13.50	27.00	135.00	270.00	4.19	6.98
10 years (maturity) (12/1/74)	**17.45**	**34.90**	**174.50**	**349.00**	**4.30**	----------

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of Dec. 1, 1964. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.

TABLE 31

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1965

Face value						
Issue price	$500	$1,000	$5,000	$10,000	Approximate investment yield on face value	
Redemption[1] and maturity value	500	1,000	5,000	10,000		
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) From each interest payment date to maturity [3]
					Percent	*Percent*
½ year [2](12/1/65)	$4.00	$8.00	$40.00	$80.00	1.60	4.28
1 year (6/1/66)	7.45	14.90	74.50	149.00	2.29	4.37
1½ years (12/1/66)	8.20	16.40	82.00	164.00	2.61	4.45
2 years (6/1/67)	10.20	20.40	102.00	204.00	2.97	4.47
2½ years (12/1/67)	10.20	20.40	102.00	204.00	3.18	4.51
3 years (6/1/68)	10.60	21.20	106.00	212.00	3.35	4.63
3½ years (12/1/68)	10.60	21.20	106.00	212.00	3.47	4.66
4 years (6/1/69)	10.60	21.20	106.00	212.00	3.56	5.00
Amounts of interest checks and investment yields to maturity on basis of June 1, 1969, revision						
4½ years (12/1/69)	10.65	21.30	106.50	213.00	3.63	5.08
5 years (6/1/70)	10.80	21.60	108.00	216.00	3.70	5.16
5½ years (12/1/70)	11.60	23.20	116.00	232.00	3.77	5.23
6 years (6/1/71)	11.75	23.50	117.50	235.00	3.84	5.30
6½ years (12/1/71)	11.85	23.70	118.50	237.00	3.90	5.39
7 years (6/1/72)	12.00	24.00	120.00	240.00	3.96	5.50
7½ years (12/1/72)	12.15	24.30	121.50	243.00	4.01	5.63
8 years (6/1/73)	13.05	26.10	130.50	261.00	4.07	5.75
8½ years (12/1/73)	13.15	26.30	131.50	263.00	4.13	5.92
9 years (6/1/74)	13.30	26.60	133.00	266.00	4.19	6.23
9½ years (12/1/74)	13.45	26.90	134.50	269.00	4.24	7.10
10 years (maturity) (6/1/75)	**17.75**	**35.50**	**177.50**	**355.00**	**4.35**	

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of June 1, 1965. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.

TABLE 32

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1965 THROUGH MAY 1, 1966

Face value						
Issue price	$500	$1,000	$5,000	$10,000	Approximate investment yield on face value	
Redemption[1] and maturity value	500	1,000	5,000	10,000		
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) From each interest payment date to maturity [3]
					Percent	*Percent*
½ year [2](6/1/66)	$5.50	$11.00	$55.00	$110.00	2.20	4.27
1 year (12/1/66)	9.70	19.40	97.00	194.00	3.03	4.30
1½ years (6/1/67)	10.75	21.50	107.50	215.00	3.45	4.30
2 years (12/1/67)	10.75	21.50	107.50	215.00	3.65	4.30
2½ years (6/1/68)	10.75	21.50	107.50	215.00	3.78	4.40
3 years (12/1/68)	10.75	21.50	107.50	215.00	3.86	4.41
3½ years (6/1/69)	10.75	21.50	107.50	215.00	3.92	5.00
Amounts of interest checks and investment yields to maturity on basis of June 1, 1969, revision						
4 years (12/1/69)	10.85	21.70	108.50	217.00	3.97	5.06
4½ years (6/1/70)	11.10	22.20	111.00	222.00	4.02	5.13
5 years (12/1/70)	11.30	22.60	113.00	226.00	4.06	5.20
5½ years (6/1/71)	11.55	23.10	115.50	231.00	4.11	5.27
6 years (12/1/71)	11.80	23.60	118.00	236.00	4.15	5.34
6½ years (6/1/72)	12.00	24.00	120.00	240.00	4.20	5.43
7 years (12/1/72)	12.25	24.50	122.50	245.00	4.24	5.53
7½ years (6/1/73)	12.50	25.00	125.00	250.00	4.28	5.64
8 years (12/1/73)	12.75	25.50	127.50	255.00	4.33	5.78
8½ years (6/1/74)	13.00	26.00	130.00	260.00	4.37	5.99
9 years (12/1/74)	13.25	26.50	132.50	265.00	4.41	6.35
9½ years (6/1/75)	13.50	27.00	135.00	270.00	4.45	7.32
10 years (maturity) (12/1/75)	**18.30**	**36.60**	**183.00**	**366.00**	**4.57**	

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of December 1, 1965. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.

TABLE 33

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1966

Face value: Issue price / Redemption[1] and maturity value	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield on face value	
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) From each interest payment date to maturity[3]
					Percent	*Percent*
½ year ... [2] (12/1/66)	$5.50	$11.00	$55.00	$110.00	2.20	4.27
1 year ... (6/1/67)	9.70	19.40	97.00	194.00	3.03	4.30
1½ years ... (12/1/67)	10.75	21.50	107.50	215.00	3.45	4.30
2 years ... (6/1/68)	10.75	21.50	107.50	215.00	3.65	4.40
2½ years ... (12/1/68)	10.75	21.50	107.50	215.00	3.78	4.41
3 years ... (6/1/69)	10.75	21.50	107.50	215.00	3.86	5.00
Amounts of interest checks and investment yields to maturity on basis of June 1, 1969, revision						
3½ years ... (12/1/69)	10.85	21.70	108.50	217.00	3.93	5.06
4 years ... (6/1/70)	11.05	22.10	110.50	221.00	3.98	5.12
4½ years ... (12/1/70)	11.30	22.60	113.00	226.00	4.04	5.19
5 years ... (6/1/71)	11.50	23.00	115.00	230.00	4.09	5.25
5½ years ... (12/1/71)	11.70	23.40	117.00	234.00	4.14	5.33
6 years ... (6/1/72)	11.95	23.90	119.50	239.00	4.18	5.40
6½ years ... (12/1/72)	12.15	24.30	121.50	243.00	4.23	5.49
7 years ... (6/1/73)	12.40	24.80	124.00	248.00	4.27	5.58
7½ years ... (12/1/73)	12.60	25.20	126.00	252.00	4.32	5.70
8 years ... (6/1/74)	12.85	25.70	128.50	257.00	4.36	5.85
8½ years ... (12/1/74)	13.10	26.20	131.00	262.00	4.40	6.07
9 years ... (6/1/75)	13.35	26.70	133.50	267.00	4.45	6.44
9½ years ... (12/1/75)	13.60	27.20	136.00	272.00	4.49	7.48
10 years (maturity) ... (6/1/76)	**18.70**	**37.40**	**187.00**	**374.00**	**4.61**	...

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of June 1, 1966. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.

TABLE 34

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1966 THROUGH MAY 1, 1967

Face value: Issue price / Redemption[1] and maturity value	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield on face value	
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) From each interest payment date to maturity[3]
					Percent	*Percent*
½ year ... [2] (6/1/67)	$5.50	$11.00	$55.00	$110.00	2.20	4.27
1 year ... (12/1/67)	9.70	19.40	97.00	194.00	3.03	4.30
1½ years ... (6/1/68)	10.75	21.50	107.50	215.00	3.45	4.40
2 years ... (12/1/68)	10.75	21.50	107.50	215.00	3.65	4.41
2½ years ... (6/1/69)	10.75	21.50	107.50	215.00	3.78	5.00
Amounts of interest checks and investment yields to maturity on basis of June 1, 1969, revision						
3 years ... (12/1/69)	10.85	21.70	108.50	217.00	3.87	5.06
3½ years ... (6/1/70)	11.05	22.10	110.50	221.00	3.94	5.11
4 years ... (12/1/70)	11.25	22.50	112.50	225.00	4.01	5.17
4½ years ... (6/1/71)	11.45	22.90	114.50	229.00	4.06	5.24
5 years ... (12/1/71)	11.65	23.30	116.50	233.00	4.12	5.30
5½ years ... (6/1/72)	11.85	23.70	118.50	237.00	4.17	5.37
6 years ... (12/1/72)	12.05	24.10	120.50	241.00	4.22	5.45
6½ years ... (6/1/73)	12.30	24.60	123.00	246.00	4.26	5.53
7 years ... (12/1/73)	12.50	25.00	125.00	250.00	4.31	5.63
7½ years ... (6/1/74)	12.70	25.40	127.00	254.00	4.35	5.75
8 years ... (12/1/74)	12.95	25.90	129.50	259.00	4.40	5.90
8½ years ... (6/1/75)	13.15	26.30	131.50	263.00	4.44	6.12
9 years ... (12/1/75)	13.40	26.80	134.00	268.00	4.48	6.52
9½ years ... (6/1/76)	13.60	27.20	136.00	272.00	4.52	7.64
10 years (maturity) ... (12/1/76)	**19.10**	**38.20**	**191.00**	**382.00**	**4.64**	...

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of Dec. 1, 1966. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed

TABLE 35

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1967

Face value: Issue price / Redemption[1] and maturity value	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield on face value	
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) From each interest payment date to maturity[3]
					Percent	*Percent*
½ year ... [2] (12/1/67)	$5.50	$11.00	$55.00	$110.00	2.20	4.27
1 year ... (6/1/68)	9.70	19.40	97.00	194.00	3.03	4.40
1½ years ... (12/1/68)	10.75	21.50	107.50	215.00	3.45	4.41
2 years ... (6/1/69)	10.75	21.50	107.50	215.00	3.65	5.00
Amounts of interest checks and investment yields to maturity on basis of June 1, 1969, revision						
2½ years ... (12/1/69)	10.85	21.70	108.50	217.00	3.79	5.05
3 years ... (6/1/70)	11.05	22.10	110.50	221.00	3.89	5.11
3½ years ... (12/1/70)	11.20	22.40	112.00	224.00	3.97	5.17
4 years ... (6/1/71)	11.40	22.80	114.00	228.00	4.03	5.22
4½ years ... (12/1/71)	11.60	23.20	116.00	232.00	4.10	5.29
5 years ... (6/1/72)	11.80	23.60	118.00	236.00	4.15	5.35
5½ years ... (12/1/72)	12.00	24.00	120.00	240.00	4.21	5.42
6 years ... (6/1/73)	12.20	24.40	122.00	244.00	4.25	5.49
6½ years ... (12/1/73)	12.40	24.80	124.00	248.00	4.30	5.58
7 years ... (6/1/74)	12.60	25.20	126.00	252.00	4.35	5.68
7½ years ... (12/1/74)	12.80	25.60	128.00	256.00	4.39	5.80
8 years ... (6/1/75)	13.00	26.00	130.00	260.00	4.43	5.96
8½ years ... (12/1/75)	13.25	26.50	132.50	265.00	4.48	6.19
9 years ... (6/1/76)	13.45	26.90	134.50	269.00	4.52	6.61
9½ years ... (12/1/76)	13.65	27.30	136.50	273.00	4.56	7.80
10 years (maturity) ... (6/1/77)	**19.50**	**39.00**	**195.00**	**390.00**	**4.68**	...

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of June 1, 1967. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.

TABLE 36

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1967 THROUGH MAY 1, 1968

Face value: Issue price / Redemption[1] and maturity value	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield on face value	
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) From each interest payment date to maturity[3]
					Percent	*Percent*
½ year ... [2] (6/1/68)	$5.50	$11.00	$55.00	$110.00	2.20	4.37
1 year ... (12/1/68)	9.70	19.40	97.00	194.00	3.03	4.41
1½ years ... (6/1/69)	10.75	21.50	107.50	215.00	3.45	5.00
Amounts of interest checks and investment yields to maturity on basis of June 1, 1969, revision						
2 years ... (12/1/69)	10.85	21.70	108.50	217.00	3.66	5.05
2½ years ... (6/1/70)	11.00	22.00	110.00	220.00	3.81	5.10
3 years ... (12/1/70)	11.20	22.40	112.00	224.00	3.91	5.16
3½ years ... (6/1/71)	11.35	22.70	113.50	227.00	4.00	5.21
4 years ... (12/1/71)	11.55	23.10	115.50	231.00	4.07	5.27
4½ years ... (6/1/72)	11.75	23.50	117.50	235.00	4.13	5.33
5 years ... (12/1/72)	11.90	23.80	119.00	238.00	4.19	5.40
5½ years ... (6/1/73)	12.10	24.20	121.00	242.00	4.24	5.47
6 years ... (12/1/73)	12.30	24.60	123.00	246.00	4.29	5.54
6½ years ... (6/1/74)	12.50	25.00	125.00	250.00	4.34	5.63
7 years ... (12/1/74)	12.70	25.40	127.00	254.00	4.38	5.73
7½ years ... (6/1/75)	12.90	25.80	129.00	258.00	4.43	5.85
8 years ... (12/1/75)	13.10	26.20	131.00	262.00	4.47	6.02
8½ years ... (6/1/76)	13.30	26.60	133.00	266.00	4.51	6.26
9 years ... (12/1/76)	13.50	27.00	135.00	270.00	4.55	6.71
9½ years ... (6/1/77)	13.70	27.40	137.00	274.00	4.59	7.98
10 years (maturity) ... (12/1/77)	**19.95**	**39.90**	**199.50**	**399.00**	**4.72**	...

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of Dec. 1, 1967. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.

TABLE 37

BONDS BEARING ISSUE DATES FROM JUNE 1 THROUGH NOVEMBER 1, 1968

Face value: Issue price / Redemption[1] and maturity value	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield on face value	
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) From each interest payment date to maturity[3]
					Percent	Percent
½ year [2] (12/1/68)	$5.50	$11.00	$55.00	$110.00	2.20	4.38
1 year (6/1/69)	9.70	19.40	97.00	194.00	3.03	5.00
Amounts of interest checks and investment yields to maturity on basis of June 1, 1969, revision						
1½ years (12/1/69)	10.85	21.70	108.50	217.00	3.46	5.05
2 years (6/1/70)	11.00	22.00	110.00	220.00	3.69	5.10
2½ years (12/1/70)	11.15	22.30	111.50	223.00	3.84	5.15
3 years (6/1/71)	11.35	22.70	113.50	227.00	3.95	5.20
3½ years (12/1/71)	11.50	23.00	115.00	230.00	4.04	5.25
4 years (6/1/72)	11.65	23.30	116.50	233.00	4.11	5.31
4½ years (12/1/72)	11.85	23.70	118.50	237.00	4.17	5.37
5 years (6/1/73)	12.00	24.00	120.00	240.00	4.23	5.44
5½ years (12/1/73)	12.20	24.40	122.00	244.00	4.28	5.51
6 years (6/1/74)	12.40	24.80	124.00	248.00	4.33	5.58
6½ years (12/1/74)	12.55	25.10	125.50	251.00	4.38	5.67
7 years (6/1/75)	12.75	25.50	127.50	255.00	4.42	5.78
7½ years (12/1/75)	12.95	25.90	129.50	259.00	4.46	5.91
8 years (6/1/76)	13.15	26.30	131.50	263.00	4.51	6.08
8½ years (12/1/76)	13.35	26.70	133.50	267.00	4.55	6.34
9 years (6/1/77)	13.55	27.10	135.50	271.00	4.58	6.82
9½ years (12/1/77)	13.75	27.50	137.50	275.00	4.62	8.18
10 years (maturity) (6/1/78)	**20.45**	**40.90**	**204.50**	**409.00**	**4.76**	

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of June 1, 1968. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.

TABLE 38

BONDS BEARING ISSUE DATES FROM DECEMBER 1, 1968 THROUGH MAY 1, 1969

Face value: Issue price / Redemption[1] and maturity value	$500 / 500	$1,000 / 1,000	$5,000 / 5,000	$10,000 / 10,000	Approximate investment yield on face value	
Period of time bond is held after issue date	(1) Amounts of interest checks for each denomination				(2) From issue date to each interest payment date	(3) From each interest payment date to maturity[3]
					Percent	Percent
½ year [2] (6/1/69)	$5.50	$11.00	$55.00	$110.00	2.20	5.00
Amounts of interest checks and investment yields to maturity on basis of June 1, 1969, revision						
1 year (12/1/69)	9.80	19.60	98.00	196.00	3.05	5.07
1½ years (6/1/70)	11.00	22.00	110.00	220.00	3.49	5.12
2 years (12/1/70)	11.15	22.30	111.50	223.00	3.73	5.17
2½ years (6/1/71)	11.35	22.70	113.50	227.00	3.88	5.22
3 years (12/1/71)	11.50	23.00	115.00	230.00	4.00	5.28
3½ years (6/1/72)	11.65	23.30	116.50	233.00	4.09	5.33
4 years (12/1/72)	11.85	23.70	118.50	237.00	4.16	5.39
4½ years (6/1/73)	12.05	24.10	120.50	241.00	4.23	5.45
5 years (12/1/73)	12.20	24.40	122.00	244.00	4.29	5.52
5½ years (6/1/74)	12.40	24.80	124.00	248.00	4.34	5.59
6 years (12/1/74)	12.60	25.20	126.00	252.00	4.39	5.66
6½ years (6/1/75)	12 75	25.50	127 50	255.00	4.44	5.75
7 years (12/1/75)	12.95	25.90	129.50	259.00	4.48	5.86
7½ years (6/1/76)	13.15	26.30	131.50	263.00	4.53	5.99
8 years (12/1/76)	13.35	26.70	133.50	267.00	4.57	6.16
8½ years (6/1/77)	13.55	27.10	135.50	271.00	4.61	6.42
9 years (12/1/77)	13.75	27.50	137.50	275.00	4.65	6.91
9½ years (6/1/78)	13.95	27.90	139.50	279.00	4.69	8.28
10 years (maturity) (12/1/78)	**20.70**	**41.40**	**207.00**	**414.00**	**4.83**	

[1] At all times, except that bond was not redeemable during first 6 months.
[2] Month, day, and year on which interest check is payable on issues of Dec 1, 1968. For subsequent issue months add the appropriate number of months.
[3] Based on schedule of interest checks in effect on the interest payment date from which the yield is computed.

APPENDIX

Maturities and summary of investment yields to maturity and extended maturity dates under regulations heretofore prescribed for Series H bonds with issue dates June 1, 1952, through May 1, 1969 (rates percent per annum, compounded semiannually).

Issue dates	Term to original maturity	Yields	
		To original maturity date	To extended maturity date (10 years)
June 1952-January 1957	9 years, 8 months	3.00% +0.5 June 1, 1959 +0.4 December 1, 1965	3.75%. +0.4 December 1, 1965. +0.1 June 1, 1968.
February 1957-May 1959	10 years	3.25% +0.5 June 1, 1959 +0.4 December 1, 1965 +0.1 June 1, 1968	4.15%. +0.1 June 1, 1968.
June 1959-November 1965	10 years	3.75% +0.4 December 1, 1965 +0.1 June 1, 1968	4.25%.
December 1965-May 1968	10 years	4.15% +0.1 June 1, 1968	
June 1968-May 1969	10 years	4.25%	

Exhibit 6.—Second amendment, December 31, 1969, to Department Circular No. 1–63, regulations governing United States retirement plan bonds

TREASURY DEPARTMENT,
Washington, December 31, 1969.

Section 341.1(a) of Department Circular, Public Dept Series No. 1–63, dated January 10, 1963, as amended (31 CFR, Part 341), is hereby further amended to read as follows:

Sec. 341.1. *Description of bonds.*—(a) *Investment yield (interest).*—United States Retirement Plan Bonds, hereinafter sometimes referred to as Retirement Plan Bonds, will be issued at par. The investment yields (interest) are as follows:

(1) Bonds with issue dates of January 1, 1963, through May 1, 1966—3¾ percent per annum, compounded semiannually, as set forth in the table of redemption values appended to the circular;

(2) Bonds with issue dates of June 1, 1966, through December 1, 1969—4.15 percent per annum, compounded semiannually, as set forth in the table, identified as Table A, appended to the First Amendment of the circular; and

(3) Bonds with the issue date of January 1, 1970, or thereafter—5 percent per annum, compounded semiannually, as set forth in the table, identified as Table B, appended to this amendment.

The interest will be paid only upon redemption of the bonds. The accrual of interest will continue until the bonds have been redeemed or have reached maturity, whichever is earlier, in accordance with these regulations.

JOHN K. CARLOCK,
Fiscal Assistant Secretary of the Treasury.

TABLE B.—*Table of redemption values providing an investment yield of 5.00 percent per annum for bonds bearing issue dates beginning Jan. 1, 1970*

Table shows the increase in redemption value for each successive half-year term of holding following the date of issue on Retirement Plan Bonds bearing issue dates beginning January 1, 1970. The redemption values have been determined to provide an investment yield of approximately 5.00 percent[1] per annum, compounded semiannually, on the purchase price from issue date to the beginning of each half-year period. The period to maturity is indeterminate in accordance with the provisions of section 341.1(b) of this circular.[2]

Issue price	$50.00	$100.00	$500.00	$1,000.00
Period after issue date	Redemption values during each half-year period (values increase on first day of period shown)			
First ½ year	50.00	100.00	500.00	1,000.00
½ to 1 year	51.25	102.50	512.50	1,025.00
1 to 1½ years	52.53	105.06	525.31	1,050.62
1½ to 2 years	53.84	107.69	538.45	1,076.89
2 to 2½ years	55.19	110.38	551.91	1,103.81
2½ to 3 years	56.57	113.14	565.70	1,131.41
3 to 3½ years	57.98	115.97	579.85	1,159.69
3½ to 4 years	59.43	118.87	594.34	1,188.69
4 to 4½ years	60.92	121.84	609.20	1,218.40
4½ to 5 years	62.44	124.89	624.43	1,248.86
5 to 5½ years	64.00	128.01	640.04	1,280.08
5½ to 6 years	65.60	131.21	656.04	1,312.09
6 to 6½ years	67.24	134.49	672.44	1,344.89
6½ to 7 years	68.93	137.85	689.26	1,378.51
7 to 7½ years	70.65	141.30	706.49	1,412.97
7½ to 8 years	72.42	144.83	724.15	1,448.30
8 to 8½ years	74.22	148.45	742.25	1,484.51
8½ to 9 years	76.08	152.16	760.81	1,521.62
9 to 9½ years	77.98	155.97	779.83	1,559.66
9½ to 10 years	79.93	159.86	799.33	1,598.65
10 to 10½ years	81.93	163.86	819.31	1,638.62
10½ to 11 years	83.98	167.96	839.79	1,679.58
11 to 11½ years	86.08	172.16	860.79	1,721.57
11½ to 12 years	88.23	176.46	882.31	1,764.61
12 to 12½ years	90.44	180.87	904.36	1,808.73
12½ to 13 years	92.70	185.39	926.97	1,853.94
13 to 13½ years	95.02	190.03	950.15	1,900.29
13½ to 14 years	97.39	194.78	973.90	1,947.80
14 to 14½ years	99.82	199.65	998.25	1,996.50
14½ to 15 years	102.32	204.64	1,023.20	2,046.41
15 to 15½ years	104.88	209.76	1,048.78	2,097.57
15½ to 16 years	107.50	215.00	1,075.00	2,150.01
16 to 16½ years	110.19	220.38	1,101.88	2,203.76
16½ to 17 years	112.94	225.88	1,129.43	2,258.85
17 to 17½ years	115.77	231.53	1,157.66	2,315.32
17½ to 18 years	118.66	237.32	1,186.60	2,373.21
18 to 18½ years	121.63	243.25	1,216.27	2,432.54
18½ to 19 years	124.67	249.34	1,246.67	2,493.35
19 to 19½ years	127.78	255.57	1,277.84	2,555.68
19½ to 20 years	130.98	261.96	1,309.79	2,619.57
20 to 20½ years[2]	134.25	268.51	1,342.53	2,685.06

[1] Based on redemption values of $1,000 bond.
[2] At a future date prior to Jan. 1, 1990 (20 years after issue date of the first bonds) this table will be extended to show redemption values for periods of holding of 20½ years and beyond.

Exhibit 7.—Fourth Amendment, May 20, 1970, to Department Circular No. 300, general regulations with respect to United States securities

TREASURY DEPARTMENT,
Washington, May 20, 1970.

Effective June 1, 1970, Section 306.25(b) of Department of the Treasury Circular No. 300, Third Revision, dated December 23, 1964, as amended (31 CFR Part 306), is further amended to read as follows:

Sec. 306.25. *Presentation and surrender.* * * *

(b) *"Overdue" securities.* If a bearer security or a registered security assigned in blank, or to bearer, or so assigned as to become, in effect, payable to bearer, is presented and surrendered for redemption after it has become overdue, the Secretary of the Treasury may require satisfactory proof of ownership.

(Form PD 1071 may be used.) A security shall be considered to be overdue after the lapse of the following periods of time from its face maturity:

(1) One month for securities issued for a term of one year or less.

(2) Three months for securities issued for a term of more than one year but not in excess of seven years.

(3) Six months for securities issued for a term of more than seven years.

JOHN K. CARLOCK,
Fiscal Assistant Secretary of the Treasury.

Legislation

Exhibit 8.—An act to increase the public debt limit set forth in section 21 of the Second Liberty Bond Act

[Public Law 91-301, 91st Congress, H.R. 17802, June 30, 1970]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first sentence of section 21 of the Second Liberty Bond Act (31 U.S.C. 757b) is amended by striking out "$365,000,000,000" and inserting in lieu thereof "$380,000,000,000". Public debt limit. Increase. 83 Stat. 7.

SEC. 2. During the period ending on June 30, 1971, the public debt limit set forth in the first sentence of section 21 of the Second Liberty Bond Act shall be temporarily increased by $15,000,000,000. Temporary annual increase.

SEC. 3. This Act shall take effect on July 1, 1970. Effective date.

Approved June 30, 1970.

Economic and Financial Policy

Exhibit 9.—Statement by Secretary Kennedy, February 19, 1970, before the Joint Economic Committee

It gives me great pleasure to appear again before your distinguished committee. You have heard testimony earlier this week from the Council of Economic Advisers, the Bureau of the Budget, and the Federal Reserve. There is no need, therefore, for me to review the past year's developments in great detail. My prepared statement is relatively brief. It gives my own general appraisal of the current situation and the prospects for the future. Under Secretary Volcker will follow with a statement pointed more specifically to international matters.[1]

We are now entering a crucial period in the domestic economic adjustment. There are multiplying signs that the policy of restraint has taken hold. But final success in the form of a much better price performance is yet to come. Too sharp a turn toward expansion could cancel the progress made to date. Our policies must not feed a resurgence of demand or of inflationary expectations.

A close watch must be kept on this adjustment process. There are risks on both sides, and we must remain alert to them.

Monetary and fiscal restraint have successfully moderated the growth of total spending. Gross national product in current prices rose at a rate in excess of 9 percent in 1968. By mid-1969, the rate was down to 7 percent. In the final quarter of the year, total spending was rising at only a 4-percent rate.

We begin this year against the background of a slower pace of total spending in the economy. The reduction in the growth of total spending is a necessary precondition for the control of inflation. It creates an economic environment within which cost and price increases will not continually feed upon themselves.

There can be little doubt, however, that inflationary pressures are still very strong. Present price statistics make that fact uncomfortably clear. And, the coming calendar of wage negotiations may keep the pressures on costs. To this point, restraint has had its major effect upon output. A further period of comparative stability in real output—extending perhaps through the first half of the year—is to be expected. During the course of the year, more tangible results

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[1] See exhibit 49.

on the price front should appear. But this relief from rising prices has certainly been slow in coming.

We must still work our way through a period this year in which increases in gross national product will, to a considerable extent, reflect higher prices. Then, as the rate of inflation drops, real output can safely resume a moderate rise. Even by the end of the year, however, price increases may make up as much as half or more of the rise in the value of national output. But, if all goes according to our expectations, we should by then be firmly on a path where growth in real output can rise toward its longer range potential while prices move toward stability.

I see no substitute in an inflationary situation, for working to restrain total spending. Detailed intervention into the wage-price decisionmaking process was tried but abandoned by the previous Administration as the economy overheated. Nor can direct controls do the job when there are heavy strains on labor and product markets. There is no quick or easy cure for the cost imbalances and distortions that follow in the wake of inflation. But we can look forward this year to some gradual improvement.

Last year the productivity gain on a national basis was well below normal and productivity may actually have declined a bit during the first half of the year. Money wages, on the other hand, rose rapidly, partly in response to the rising cost of living. The combination of little growth in productivity and a strong rise in hourly compensation resulted in more than a 6-percent increase in labor costs per unit of output. Resumption of productivity growth would permit a much better overall record. Gradually a better balance can and must be restored between productivity, costs and prices. This better balance is essential for our domestic stability and our international competitive position.

In its essentials, the Administration's economic strategy remains unchanged. Maximum reliance will be placed upon the established stabilization tools—fiscal and monetary policy. In the long run, this course is most compatible with the maintenance of a strong free enterprise system.

We do recognize that the burden of restraint can fall unevenly and cause real hardship. Therefore, we have taken steps to alleviate some effects of the adjustment now underway. The proposed manpower training act will forge a new link between manpower programs and economic conditions by linking appropriations to the unemployment rate. Federal agencies have pumped large sums of money into housing and other measures are under consideration. Social security benefits are to be increased substantially. Special legislation has been introduced to liberalize unemployment benefits.

Some change in the relative contributions of fiscal and monetary policy may be required. In this respect, this year's budget planning has been particularly important. Close restraint on Federal expenditures was essential to insure the effectiveness and credibility of the anti-inflationary program. After rising by an average 13 percent annually during the past 5 years, Federal outlays are projected to rise by only about 1½ percent in fiscal 1971. Hard decisions have been made, and they are reflected in the current budget.

The risk of a destabilizing shift toward fiscal ease, further complicating the already difficult task of the monetary authorities, has been avoided, for now at least. When there is a need for some modest lifting of restraint, there is a strong case for its coming on the monetary side, which has been stretched so tightly. If, in the months to come, the economy should begin to slide off too far, a degree of fiscal support would, of course, be supplied automatically through the operation of the so-called built-in stabilizers. There is also a range of discretionary steps which could be taken if and when they are clearly required.

On the domestic financial side, we have to recognize that, directly or indirectly, some of the programs of the Federal Government—whether aimed at housing, or public facilities, or small business—result in heavy demands on the credit markets. This will remain true in the next fiscal year. We must make sure that these necessary demands are not further increased by a budget deficit. Fortunately, the Treasury is not currently in that position.

Private demands for long-term credit continue to be strong. The potential demand for mortgage credit far exceeds the supply. There is a large backlog of State and local borrowing temporarily postponed during the period of rapidly rising interest rates and, in some cases, reflecting the operation of legal ceilings at the state level now raised or removed. All told, prospective demands on the

capital markets are not likely to diminish, although some shading down of business requirements might be expected as the pace of economic expansion moderates.

The size of these prospective demands suggests that we may have to live with relatively high interest rates during the period just ahead. But some beginnings of an easing trend are appearing. A somewhat lower level of interest rates was, in fact, assumed in drawing up the estimate for interest on the public debt in fiscal 1971. It will take a shift away from inflationary expectations—in keeping with the underlying realities of the economic situation—for this to materialize and to bring lasting relief from high interest rates and credit shortages.

In our own refunding operations, under present circumstances and at current interest rate levels, we could not contemplate any massive reshaping of the debt structure. But the existing 4¼ percent interest rate ceiling has the effect of confining the Treasury entirely to 7-year maturities and under. This has contributed in recent years to an excessive pileup of debt at the shorter end of the maturity range, a trend that has tended to aggravate the problems associated with disintermediation and made us excessively vulnerable to higher interest costs. Our debt management operations could be harmonized much more effectively with general economic objectives if the 4¼ percent interest rate ceiling were removed or further modified.

Despite the small projected reduction in Federal debt held by the public in 1970 and 1971, an increase in the debt ceiling will be required by the end of this fiscal year. This reflects the expansion in debt obligations held by the trust funds, as well as the need to accommodate seasonal swings between receipts and expenditures. A decision on the amount of the increase in the debt ceiling will not be made until we see the actual figures on budget receipts and expenditures over the next few months. I might add that the current congressional ceiling on budget expenditures tends to reduce whatever rationale the public debt ceiling may have had in the past as a deterrent to spending.

A year ago your committee's report urged that a longer-range look be taken at our national goals and priorities, along with the implications in terms of the Federal fiscal position. Your report pointed out that, "Too often public policy has been formed in an ad hoc fashion because of an absence of clearly stated national objectives and priorities." A forward look has been taken in both the Economic Report and the Budget. Broad projections are made for the economy and the budget out to 1975. This implements another of the recommendations of the 1967 Presidential Commission on Budget Concepts of which I had the honor to be chairman. Quite aside from any feelings of personal satisfaction, the provision of these forward estimates seems useful and long overdue.

In and of themselves, the projections cannot do much to insure that better decisions are made. And the specific arithmetic is open to revision and modification. But such estimates do provide a more informed and objective basis for discussion of our national priorities and goals. Too often in the past we have stumbled into the future without a clear idea of where we were going or how much it would cost over a period of time. Now at least we have made a beginning toward a more rational appraisal of future prospects.

The clear lesson that emerges from the 5-year forward projections is the very limited degree of fiscal freedom that is, in fact, available. On the basis of present estimates, there is little, if any, margin available in fiscal 1972 for new Federal budgetary programs. And even by 1975, when new initiatives of about 1 percent of GNP might be accommodated, the overwhelming impression is the lack of budgetary resources relative to potential claims. While the present period of Federal expenditure restraint is a particularly difficult one, there will be a continuing need for efficient direction and control of Federal expenditures.

There is also a need to make a comprehensive forward looking appraisal of our financial structure and its regulation. The past decade brought profound changes and created new problems. As we look forward in this decade, the volume of potential demand for savings is impressive. It will be increasingly important to insure that our financial structure can adapt flexibly and efficiently. Therefore, the President will shortly be appointing a commission of distinguished citizens to study these matters.

As Mr. Volcker will review more fully, our balance-of-payments position continues to be a cause for concern. On the other hand, the strength of the dollar abroad, despite our large balance-of-payments deficit on the liquidity basis, has been well maintained. On the official settlements basis, we actually ran a large surplus last year—the largest in many years. But this reflected some temporary

factors and a degree of monetary tightness here that we would not expect to continue indefinitely.

While some improvement has recently been registered, our trade balance remains far too small. Over the longer run, we must restore a much stronger current account position if we are to reach a satisfactory payments equilibrium. This requires the early establishment of a reasonable degree of cost-price stability in this country—the same stability which our domestic situation requires.

But elimination of domestic inflation is not all we need to do to strengthen our balance-of-payments position. We are seeking a more equitable distribution of the burden of mutual defense expenditures. We are seeking the reduction abroad of nontariff barriers which shut out many U.S. exports. We are trying to heighten the export consciousness of our business community, and to back their efforts with adequate export credit. And we are investigating tax avenues which might help equalize our competitive position relative to exports from other countries.

This past year has seen progress toward relieving the domestic economy and the balance of payments from inflationary strains and distortions. Certainly that progress is incomplete, and some difficult times may still be ahead. But we are moving in the right direction and using the correct policy tools, in my opinion. The task this year will be to keep the economy moving at a moderate pace while the current inflation is brought more securely under control. This will provide the essential foundation for a gradual resumption of growth along a noninflationary path in the years ahead.

Exhibit 10.—Remarks by Assistant Secretary Weidenbaum, March 13, 1970, before the National Planning Association, Washington, D.C., on the post Vietnam economy

An analysis of the impacts on the United States of achieving peace in Vietnam needs to be made in the context of the economic environment in which these events will occur. It is useful to distinguish between the short-term economic outlook and the prospects for the longer term.

The short term outlook

In the period immediately ahead—1970 and 1971—the American economy will be undergoing an adjustment. As we all know, the substantial inflationary pressures which developed during the Vietnam buildup were accentuated by large Federal budget deficits and a liberal monetary policy. For more than a year now, the Federal Government has pursued a policy of economic restraint, designed to dampen the inflation and to do so without precipitating a major downturn in the economy as a whole.

The means for pursuing this anti-inflationary effort have been primarily to operate the Federal Government at a modest surplus and to reduce the growth of the money supply. The results thus far are mainly a clear slowing down of what was an overheated economy. Inflation is continuing, but not at the accelerating rate that characterized earlier periods. It is our expectation that the rate of inflation will decline measurably in the coming year and that this will set the stage for the subsequent real and sustainable growth in production, employment and living standards.

But in the short run, the proper national economic policy still is one of responsible restraint. Hence, reductions in military demand resulting from winding down the Vietnam War will, in addition to obvious social benefits, reinforce our economic capabilities. The lessened U.S. participation in Vietnam will tend both to reduce the Government's demand for military goods and services and, as servicemen are returned to civilian life, to increase the labor force available to produce goods and services for nonmilitary purposes. To some extent, the pressures on our balance of international payments will diminish as the scope of U.S. activities in Southeast Asia is reduced.

Projections of the American economy for the calendar year 1970 show that the Federal Government's own purchases of goods and services are being cut back substantially and that new housing construction is expected to continue to feel the effects of a fairly tight monetary policy. In contrast, the other sectors of the economy are projected to grow in real terms but at a much slower rate than in recent years.

The longer term outlook

As we look beyond 1970, to the middle of the decade of the 1970's, we get a better picture of what a nonwar economy may look like. The following analysis of longer term trends in the American economy in a more peacetime environment is based on a joint research effort by the economic staffs of the Bureau of the Budget, the Council of Economic Advisers, and the Department of the Treasury (see Table I). The analysis assumes a fiscal posture of present tax laws and present nondefense Federal Government programs.

Clearly, after Vietnam, a larger proportion of our resources is likely to be devoted to civilian purposes, and particularly through the private sector. By 1975 Government purchases are estimated to take only 19 percent of the national output—down from the 23 percent in 1969. I would like to examine briefly the prospects for each major sector of our economy.

The consumer sector

Total personal consumption expenditures are estimated to rise from $576 billion in 1969 to $777 billion in 1975, in terms of dollars of 1969 purchasing power. This does not mean that we do not expect any increases at all in the general price level. Rather, this analysis will be focusing on real rather than merely financial changes in the American economy.

The total income of individuals is anticipated to grow substantially between now and 1975. This will result from the rising employment necessary to produce the national output and, in turn, will make possible very significant increases in the average standard of living of the American consumer.

It is also assumed that, on the average, individuals will save 6½ percent of their aftertax incomes and spend the remainder on (1) automobiles, home furnishings, and other durable goods; (2) food, clothing, and other nondurable commodities; and (3) recreation, medical care, housing, and numerous other services. The total impact of all consumer spending should raise the personal consumption share of our total national output from about 62 percent in 1969 to 65 percent in 1975. This move is what would be expected in a nonwar environment. To be sure, one percentage point or so may not sound like very much, but—in a trillion dollar economy 1 percent means an extra $10 billion a year. Incidentally, we soon will begin talking about trillions as well as billions when discussing the American economy. I suspect that we may reach the trillion dollar rate for GNP later this year.

Housing

For a number of reasons, the number of new housing starts is likely to rise considerably in the early 1970's. There is likely to be a very substantial increase in the rate of family formation in the next 5 years. Also, a backlog of need has been created by the housing declines in 1966 and 1969–70, by the rate of demolition and obsolescence, and because of the increased demand for housing generated by new families. The housing share of GNP, a rather low 3 percent in 1970, should rise to a more normal 4 percent by the mid-1970's.

In the Housing and Urban Development Act of 1968, the Congress stated a goal of 26 million new housing units to be built during the 10-year period ending

TABLE I.—*Distribution of GNP, 1969 and 1975*

[Dollar amounts in billions of 1969 dollars]

Category	1969		1975	
	Amount	Percent	Amount	Percent
Personal consumption expenditures	$576	62	$777	65
Housing construction	32	3	49	4
Business investment	109	12	144	12
Federal Government purchases	102	11	87	7
State and local government purchases	113	12	143	12
Total	932	100	1,200	100

NOTE.—These estimates contain no allowance for increases above the 1969 level of prices. The figures are based on the "Economic Report" for 1970 with adjustments to equate total claims on output with total resources available.

June 1978. In order to achieve that goal, about 2½ million new homes would be built each year during the 1975 time period. On that basis, expenditures for new residential construction will rise from $32 billion in 1969 to $49 billion in 1975.

Business investment

Large amounts of investment in new plant, equipment, and inventories will be necessary just to produce the GNP we are projecting. About 11 percent to 12 percent of the GNP will have to be invested each year in new capital stock in order to maintain reasonable capital-output ratios. In addition, inventory investment and net exports are projected to grow roughly in line with the gross national product between 1969 and 1975. This would maintain an approximately constant ratio of inventory to final sales. Net exports are expected to rise from the 1969 low as the U.S. trade position improves.

All these forms of business investment, taken as a whole, are projected to expand from the 1969 level of $109 billion to $144 billion in 1975.

Federal Government purchases

As the Nation returns to a more peacetime situation, Federal purchases of goods and services (the great bulk of which is devoted to national defense) are expected to decline significantly between 1969 and 1975, falling from $102 billion to $87 billion. A large defense effort, of course, will most likely need to be maintained in order to meet the continuing requirements of protecting the national security.

In contrast, however, proportionally small amounts of Federal civilian expenditures are devoted to direct purchases. Rather, civilian agency budgets mainly take the form of transfer payments to individuals (such as social security), grants-in-aid to State and local governments, and interest payments. These show up directly or indirectly in the GNP subsequently as consumer expenditures or business investment or state and local purchases, as the ultimate recipients of the Federal funds respend them. Hence, the direct importance of the Federal Government in the American economy, when we look at its role as a direct user of resources, is likely to decline substantially between 1970 and 1975.

All of the likely future increases in Federal spending probably will occur in these other categories (see table II)—income transfer payments, grants-in-aid, subsidies, etc. Transfer payments will be rising sharply from $56 billion in 1970 to $75 billion in 1975. This movement will be due to expanded coverage and population, as more people receive checks for social security, disability insurance, and so forth. Part of the growth will also come about from higher real benefits. Much of the increase in grants—from $22 billion in 1970 to $27 billion in 1975—will come in essentially open-ended programs, such as medicare, in which the Federal Government must provide matching funds if the States choose to spend money for the designated activities.

These figures include the new initiatives already recommended by President Nixon (such as the family assistance program and revenue sharing with State

TABLE II.—*Projections of Federal expenditures, 1970–75*

[In billions of 1969 dollars. National income accounts basis]

Category	1970	1971	1972	1973	1974	1975
Existing programs:						
Purchases	92	88	87	86	85	84
Transfer payments	56	59	62	65	68	70
Grants-in-aid	22	22	22	23	23	24
Other	19	16	15	14	14	14
Total existing programs	188	186	186	188	190	191
New initiatives:						
Purchases	1	1	1	1	2	2
Transfer payments		3	6	6	5	5
Grants-in-aid		2	3	5	6	7
Total new initiatives	1	6	10	12	14	15
Total Federal expenditures	189	192	196	200	204	206

397-702 O—71——20

and local governments). Outlays for these new programs are estimated to rise substantially as they are put into effect, to $15 billion in 1975.

However, the addition of still other new programs in the years ahead would result in the relatively tight budgetary situation that we are currently experiencing.

State and local government purchases

Purchases of goods and services by State and local governments are projected to grow with the GNP, population, and Federal grants-in-aid. Of the $30 billion increase in State and local purchases—from $113 billion in 1969 to $143 billion in 1975—only about $10 billion will be due to population increases. This will leave an anticipated increase of approximately $20 billion over and above the cost of providing State and local services at the present per capita level. This will permit an average annual increase of 2.8 percent in the real per capita quantity of the services provided by this category of State and local spending.

Gross national product

The GNP of the United States is projected to rise more than 4 percent each year during the post-Vietnam time period, reaching a total of $1.2 trillion in 1975, in terms of 1969 prices. The figure would be about $1.4 trillion if we allow for price changes. Productivity (output per man-hour) is estimated to grow about 2.8 percent a year, on the average. These calculations, when viewed in conjunction with reasonable forecasts of population and the labor force, yield an employment rate of over 96 percent of the civilian labor force and a rising real living standard for the average American worker and his family.

Like any set of long term economic estimates, these projections are illustrative; they are not meant to be precise forecasts. Rather, they indicate reasonable orders of magnitude and interrelationships for the period following the achievement of peace in Vietnam. Changes in public policy—as well as future private actions—could substantially alter the size and the composition of the GNP in future years. Yet, such statistical analyses are useful in demonstrating how the American economy can quite successfully adjust to a peacetime environment.

Most public and private studies of the relationship between military spending and the American economy reach two common conclusions:

(1) The United States can afford to maintain within reasonable limits the level of defense spending that is required for the national security, and

(2) The economy is not dependent on military demand in order to maintain prosperity. Rather, the long term level of income and output is likely to be higher in a more civilian-oriented economy because of additions to the civilian labor force and higher productivity of civilian activities.

A final note

As a Nation, we will have very considerable discretion over the use of the tremendous amount of resources that will be available to us during the years following the end of the Vietnam War. These resources, in effect, will also come with a challenge—that we use them wisely. If we do not, we may find that economic growth, rather than being translated into improved well-being, may be devoted increasingly merely to ameliorating continuing physical and social ills. This may be the essence of our concern to shift national priorities—to make the necessary investments now in improving the quality of our physical and social environment to permit real improvement in our national welfare in the years to come. Perhaps this will be a case where abstinence makes the heart grow fonder.

Exhibit 11.—Remarks by Assistant Secretary Weidenbaum, March 24, 1970, before the American Bankers Association, National Installment Credit Conference, Chicago, Illinois, on consumer spending, credit, and taxes

I would like to provide some economic perspective to the subject of consumer spending and credit, which is the important concern of this conference. It is a particular pleasure to have the opportunity to discuss some aspects of fiscal policy here in Chicago.

In this presentation, I would like to cover both long term and short term aspects of the outlook for the consumer sector. There are some differences in these prospects.

Longer term trends: taxes and income

Some of the good news first. In the longer term, we as a Nation are taking important actions which will tend to expand the consumer segment of the American economy. This is part and parcel of the shift that we are trying to accomplish to a less governmental and to a more private sector orientation in our economy.

I would like to offer just a few numbers for purposes of illustration. Last year consumer spending accounted for 62 percent of the gross national product. This year it may rise to 63 percent. By 1975, perhaps 64 percent of the GNP will be devoted to personal consumption expenditures.

One percent may not sound like much. However, in an economy which is likely to reach a trillion dollar rate later this year, it means about $10 billion more sales to consumers in a 12-month period. In absolute terms, the magnitudes are quite striking—personal consumption expenditures may rise from $576 billion in 1969 to $900 billion in 1975.

In part, of course, this shift in favor of the consumer is coming about as a result of the substantial cutbacks in Federal Government purchases, particularly for military and space programs. More fundamentally, however, consumer purchasing power is being bolstered through tax relief and reform, as well as economic growth. The comprehensive tax bill enacted by the Congress late in 1969 contained many important changes in specific tax provisions, ranging from less generous oil depletion allowances to tightening the treatment of capital gains. On balance, however, the Act provided for a schedule of substantial tax reductions for individuals.

In the fiscal year 1971, individuals (in contrast to corporations whose overall tax requirements were increased) will be paying about $2.3 billion less Federal income tax than they would have if the law had not been passed. With a reasonable pattern of economic growth, the tax savings for individuals could rise to $6 billion in fiscal 1972 and to over $12 billion in the fiscal year 1975.

As you may know, there has been some question as to the effect of changes in taxation on the economy as a whole and on the pattern of consumer spending and saving, specifically. Of course, tax changes are just one item in a very complicated economy; and, therefore, it is not easy to identify separately the changes in economic activity that they may induce.

Nevertheless, a careful analysis of the experience in the United States in recent years shows that changes in taxation have a visible impact on the allocation of personal income among consumption, taxation, and saving. Available data show that increases in income taxes, temporary or permanent, tend as would be expected, to depress both personal consumption expenditures and personal saving.

The precise proportions, of course, may vary according to many factors, including consumer expectations concerning the future. Hence, the repercussions may be more modest than had been expected, at least by some analysts, but the results seem quite clear. A complicating consideration in analyzing the repercussions may be the swamping of effects from tax changes because other factors were operating. This does not mean that the tax changes, per se, were not effective: they may merely be hidden under the surface of more dramatic events.

For example, consumer spending averaged 78.2 percent of personal income in the 18 months before the Federal income tax surcharge was enacted in July 1968, and 77.4 percent in the 18 months after that tax increase became effective (see table I). If we make what often is the heroic assumption that all other factors were held constant, it would appear that the 10-percent surcharge caused the proportion of personal income which was devoted to consumption to decline by eight-tenths of 1 percentage point. Similarly, the proportion of income saved dropped by 1.3 percentage points.

A somewhat more sophisticated analysis would make some allowance for the lags that may occur between (1) the time that personal income is changed and (2) a shift in consumer spending patterns is evident. The authoritative study at the University of Michigan by George Katona and Eva Mueller of the 1964 tax legislation revealed a lag between tax action and personal spending of perhaps 6 months or more. For purposes of illustration, let us assume a more modest 3-month lag.

Hence, let us analyze the relationship between consumer spending and saving in a given quarter of a year and the income received in the preceding quarter. On that basis, the imposition of the income tax surcharge was followed by a drop of 1.2 percentage points in the proportion of personal income devoted

TABLE I.—*Relationships of personal income, personal consumption expenditures and personal saving*

[Percentage distributions]

Period	With immediate tax impact		With lagged tax impact	
	Consumption as percent of current income	Saving as percent of current income	Consumption in next quarter as percent of current income	Savings in next quarter as percent of current income
1967				
January-March	78.2	6.5		
April-June	78.7	6.1	79.7	6.5
July-September	78.1	6.4	79.7	6.8
October-December	77.8	6.7	80.6	6.2
1968				
January-March	78.4	6.0	79.8	6.4
April-June	78.0	6.2	80.1	4.9
Passage of income tax surcharge				
1968				
July-September	78.3	4.8	79.1	6.5
October-December	77.4	5.3	79.0	4.6
1969				
January-March	77.6	4.5	79.1	4.6
April-June	77.4	4.5	78.3	5.8
July-September	76.6	5.7	77.9	5.5
October-December	76.8	5.4		

NOTE.—Saving is exclusive of personal interest and transfer payments used in the national income accounts.

to personal consumption expenditures and a decline of 1 percentage point in the savings ratio for the time periods under study. As I pointed out earlier, in an economy the size of our own, a 1 percentage point shift is quite striking when we translate it into dollars.

We need to bear in mind that this type of analysis does not take account of the effects that tax-induced changes in consumer spending and saving have on business investment. Presumably, as a result of an income tax increase, the resultant decline in consumer saving would mean less funds available for private investment. However, the simultaneous expansion of governmental revenues—and the resultant reduction in the Government's budget deficit or rise in the surplus—would augment the total pool of saving available for investment. Thus, it is not obvious what is the net impact of personal income tax changes on investment, although these two factors may tend to offset each other, at least in part.

Although our recent experience tends to demonstrate that a personal income tax increase, even a temporary one, may have some significant dampening effect both on consumer spending and saving, a more definitive conclusion will have to await the results of more detailed studies. Such studies, of course, would have to take proper account of accompanying changes in monetary policy and flows of funds to the various sectors.

I do believe that it is useful for professional economists to study these questions in the present environment, rather than in a period when actual changes in tax rates are being considered.

Shorter term trends: the economic outlook

Having examined both future economic prospects in the longer run as well as some past history, it may be appropriate for us now to turn to the present.

I think that it is safe to say that 1970 is not likely to be a vintage year. It clearly is going to be a year of transition. The American economy is going through a period of adjustment—from an overheated economy which was characterized by substantial inflationary pressures built up for 5 years to an economic environment which is returning to a more sustainable pace of growth.

It is quite natural that at such a time we should encounter what may be called the pains of decompression or reentry. Industrial production has declined

in the last several months, and the unemployment rate has risen. In a sense, these developments are the perhaps inevitable side effects accompanying the necessary efforts to reduce what has been a most substantial inflation.

The President's recent message on construction makes it quite clear that the Administration is taking great care to accomplish this change in the economic environment without tipping the balance too far in one direction or another.

With the continued use of a proper combination of monetary and fiscal measures, we should be able to achieve that reduction in the rate of inflation which will set the stage for the subsequent expansion of real output, employment, and living standards which is our fundamental economic objective. Thus, the economic medicine that we have been taking should yield many vintage years later in the decade of the 1970's.

Credit controls

I have been asked to discuss the subject of consumer credit controls. I am pleased to do so, although I am not sure that I will be adding anything to what other Administration spokesmen already have said. We are trying to avoid taking a doctrinaire attitude toward such questions of economic policy as the proper measures at any point in time which are necessary in order to achieve a desired degree of monetary or credit availability.

It does appear, at the present time, that there is no especial need for additional restraints on consumer credit, either of the compulsory or voluntary variety. Total retail sales have been holding quite steady for the past several months. In physical volume terms, a slight decline may have occurred recently.

Certainly, when we look at consumer credit itself, a slowing down pattern is clearly in evidence. The expansion in total consumer credit reached a peak annual rate of over $13 billion in the July–September quarter of 1968. Subsequent expansions generally have been at a slower pace. By the end of 1969, the annual rate of growth in outstanding consumer credit was down to $7½ billion. The growth in consumer credit in January of this year was the smallest since December 1967—an annual rate of about $7 billion.

A similar cooling down pattern is visible when we examine the more specific category of installment credit. From a peak growth rate of $10 billion in the second half of 1968, net new extensions were running at a $7 billion yearly rate by late 1969. The January figure indicated an annual rate of about $4½ billion.

These trends in consumer indebtedness would hardly seem to constitute pressing reasons for beginning a new program of consumer credit controls at the present time. Of course, we will continue to watch closely this as well as other sectors of the American economy. A continuing and openminded examination of economic trends and developments is necessary in order to assure that our policies are as consistent as is reasonably possible with the changing needs of the economy.

Exhibit 12.—Remarks by Assistant Secretary Weidenbaum, April 16, 1970, before the National Association of Business Economists, Cleveland, Ohio, on Government, investment, and economic growth

I am going to try to cover some substantial amount of terrain today, ranging from how to avoid a new tradeoff between environmental improvement and inflation to the frequently overlooked role of Government as a direct investor in capital goods.

I propose a single analytical framework to bring together these seemingly diverse considerations. Thus, I will be discussing the various alternative methods whereby the Federal Government can influence the level and composition of investment and, hence, of economic growth.

In a simple causal relationship, investment may be looked upon as the means and economic growth as the end. However, if we step back and look at the whole process with a bit for perspective, we are likely to find that economic growth itself is an intermediate goal or at best a proxy for a broader concept of general welfare. Certainly, it has been brought home to us quite strikingly that increases in the GNP which yield corresponding additions to environmental pollution may not truly represent increases in welfare—compared to so rearranging our activities as to avoid the creation of pollution.

In any event, the conditions conducive to that rate of economic growth which could yield the resources permitting real improvements in welfare are manifold.

These conditions may include, in addition to capital investment itself, the social climate of the Nation, the business climate of the economy, the political climate of the society, and, of course, the international climate of which we are just a part. Although this paper will be limited to the relationship of Government activities to investment and economic growth, these other considerations need to be taken into account in a more comprehensive analysis.

Investment and the economy

Investment occupies a central role in every economy. Investment represents that portion of current economic output which is not consumed, but instead is channeled into some productive use designed to yield a flow of future benefits. In other words, we can view investing as the act of foregoing current benefits in return for the receipt of future benefits.

From a macro-economic viewpoint, the significant feature of investment spending is its direct relationship to economic growth and full employment. Unless some portion of current economic output is invested productively, an economy forfeits its chances for future growth. Indeed, when all output is consumed, a country begins to draw down its capital stock, ultimately experiencing actual declines in total production. Furthermore, investment spending not only leads to future economic returns, but also contributes to total spending—and hence total employment of resources—during the period in which the investment takes place. This "double-barreled" impact of investment, its contribution to future productivity as well as to current spending, explains its significance to the economy in both the short run and the long run.

While we can describe in general the concept of investment and its role in the economy, there are still some major gaps in our knowledge of investment. For one thing, investment is difficult to measure accurately. This is not surprising when we consider that we are dealing with current expenditures designed to yield future benefits. Certainly many types of purchases come to mind which involve combinations of both present and future benefits. The separation between consumption and investment may not be obvious.

A related difficulty involves our desire to know the full impact of Government activities on the level of investment outlays and, hence, on economic growth. When we examine investment in this light, we find that there are many ways in which the public sector can and does influence both the level and the composition of investment, and not all in ways that necessarily will augment investment or economic growth.

Taxes and investment

The tax system is an obvious area of governmental influence on the level of investment. For example, although it may have been justified on such other grounds as equity and income redistribution, the Tax Reform Act of 1969 had important effects on investment. It seems quite clear to me that its cumulative impact was both to dampen the incentive to make new private investment as well as to diminish somewhat the growth of the savings available to finance such investment.

The 1969 legislation is commonly looked upon as a tax reduction and relief act, and that certainly is the case for the average individual taxpayer. However, for the corporate sector as a whole, it increased the tax burden substantially—by $3½ billion in the fiscal year 1971 and, assuming a reasonable pattern of economic growth, by as much as $5 billion in 1975. Since corporations play the major role in the investment activities of the private economy, the direct and adverse relationship between the Tax Reform Act and investment and economic growth is apparent.

Of course, numerous preexisting sections of the tax code do continue to serve as incentives to investment. Most notable are the provisions for liberalized depreciation of physical assets and the differential treatment of capital gains compared to ordinary income.

Government expenditures and physical investment

Perhaps it is on the expenditure side of the budget that the public sector may make a most important and yet generally overlooked contribution to investment. Conventionally, of course, the national income accounts report "gross investment" as the sum of two relatively private categories—gross private domestic investment and net foreign investment.

Nevertheless, in any real sense, considerable portions of Government purchases are in the nature of investment outlays. To me at least, some of the most obvious examples are the direct counterparts to private investment—hydroelectric power plants, office buildings, scientific research laboratories, schools, inventories of industrial metals, etc. In the very common case of Government contractors using Government-owned plant and equipment, the Government investment directly obviates the need for private investment. All of these types of capital equipment, of course, show up in private investment when purchased by a business firm, but are not recorded as investment when acquired by a Government unit. Little justification seems to exist for the inclusion or exclusion of these and similar items in an economic classification of investment outlays solely on the basis of the legal status of the purchaser. The complete exclusion of Government purchases results undoubtedly in an understatement of the actual investment of the American economy and in faulty international comparisons.

Of course, a too all-encompassing concept of Federal investment may create difficult conceptual issues. This could be the case if we include military durables such as aircraft, nuclear submarines, tanks, and other military weapon systems. From a purely technical point of view, perhaps those items could be viewed in an analogous manner to consumer durables.

In the consumer area, we readily agree that there are items which provide a long-term flow of services, but we do not ordinarily include that flow of services in an aggregate accounting of the total investment of the economy—the Federal Reserve flow of funds accounts are an exception.

Government investment-type expenditures can be estimated directly from some of the supplementary tabulations prepared for the national income accounts. The results are rather significant. In 1968 approximately $26 billion of Federal purchases of goods and services consisted of durable goods and structures. This came to about one-fourth of total Federal purchases. In addition, State and local investment-type purchases were approximately $31 billion, or about 30 percent of their total purchases. Hence, all levels of government combined accounted for $57 billion of investment-type outlays in 1968 (see table I) or about 6½ percent of the GNP. However, the national income accounts do not include these Government outlays in any investment category.

Were we to add these governmental purchases of durables and structures to the gross investment conventionally reported in the National income accounts, the total investment of the American economy would have been $183 billion for 1968 instead of the $126 billion actually reported, or a 45-percent increase (see table II).

As pointed out earlier, however, the inclusion of military durables may overstate the matter. Hence, table II also contains the results of a statistical analysis limited to civilian Government investment-type outlays. These can be estimated approximately by adjusting the National income accounts figures in line with the proportion of military to civilian durables as recorded in budgetary data. The results are not up to the standards of accuracy achieved in the national income

TABLE I.—*Governmental physical investment outlays*

[In billions of dollars]

Category	1965	1966	1967	1968
Federal Government investment:				
Durables	14	16	21	23
Structures	4	4	3	3
Subtotal	18	20	24	26
(Civilian only)	(6)	(4)	(4)	(3)
State and local investment:				
Durables	3	4	5	6
Structures	19	21	23	25
Subtotal	22	25	28	31
Total Government investment	40	45	52	57
(Civilian only)	(28)	(29)	(32)	(34)

SOURCE.—Office of Business Economics and annual Federal budget documents for data.

TABLE II.—*Total physical investment outlays*

[In billions of dollars]

Category	1965	1966	1967	1968
Gross private domestic investment	108	121	116	126
Net foreign investment	4	2	2	
Subtotal conventional investment	112	124	118	126
Government investment	40	45	52	57
(Civilian only)	(28)	(29)	(32)	(34)
Total investment outlays	152	169	170	183
(Civilian only)	(140)	(153)	(150)	(160)

SOURCE.—Table I and "Survey of Current Business," U.S. Department of Commerce.

accounts but are of some interest nonetheless. The inclusion of civilian Government outlays in a measure of the total investment of the economy, although less striking than the estimates which include military purchases, does yield an impressive addition to the conventional measure.

Government investments in human resources

Adding Government purchases of durable goods and structures to private investment outlays represents only a partial adjustment. Perhaps the most important public sector investment does not show up in any measure of physical asset accumulation. I have in mind here those vital investments in human resources such as education, health, and manpower training and development.

As some economists have been pointing out, such outlays have apparently been a major factor contributing to the growth rate of the American economy. The rise in Government expenditures in these categories has been striking in recent years. These investments (either public or private) do not show up in identifiable form in the national income accounts. However, that is hardly reason for ignoring them in our analysis, and budgetary data can be used to some advantage.

I have defined governmental investment in human resources to include developmental expenditures in the fields of health, education, antipoverty, manpower training and development, and closely related undertakings. The results of this tabulation, shown in table III, point clearly to the growing importance of public investment in human resources.

Government expenditures in the area of human resources have been expanding far more rapidly than aggregate economic measures such as physical invest-

TABLE III.—*Governmental investments in human resources, fiscal years 1965–71*

[In billions of dollars]

Category	1965	1966	1967	1968	1969	Estimated 1970	Estimated 1971
Federal Government investment:							
Health	2	2	4	5	6	7	7
Education	1	2	3	3	3	4	4
Antipoverty		1	1	1	1	1	1
Manpower training, etc	1	1	1	1	1	1	3
Subtotal	4	6	9	11	12	13	14
State and local investment:							
Health and Hospitals	5	5	6	7	NA	NA	NA
Education	23	27	31	34	NA	NA	NA
Subtotal	28	32	37	41	NA	NA	NA
Total	32	38	46	52	NA	NA	NA

NA—Not available.

SOURCE.—Annual Federal budget documents and Bureau of the Census, "Governmental Finances."

ment outlays, total government spending, or the GNP. State and local outlays dominate this category, because of the primary role in public education. However, the most rapid growth in recent years has occurred in the Federal sector.

The trend toward Government investment in human resources is continued in the most recent Federal budget, that for the fiscal year 1971. It is estimated that Federal investments in human resources, as defined here, will expand from $12 billion in 1969 to $14 billion by 1971. This latter figure would be more than five times the actual level one decade earlier.

Thus, from an analysis of certain public expenditure categories it becomes quite clear that Government influence on investment from the expenditure side is a significant force, even though our conventional economic measures do not treat such public outlays as investment spending. Furthermore, this public sector contribution has undergone a measurable shift in emphasis from physical to human capital outlays.

Government regulation and investment

A third area in which the Federal Government can influence the volume and composition of investment is through its regulatory powers, which may either encourage or discourage private investment. With the increase in attention being given to improving the quality of our environment, it is likely that Government regulations increasingly will require or at least encourage many such specific investments.

For example, the recent Presidential message to the Congress on environmental quality pointed to a number of areas where investment—both public and private—will be encouraged or required :

—a capital investment of $10 billion over a 5-year period for municipal waste treatment plants and interceptor lines.

—a seven-point program of measures to enforce control of water pollution from industrial and municipal wastes.

—new and more stringent standards on exhaust emission from motor vehicles.

—nationwide air quality standards backed up by enforcement authority.

—greater emphasis on solid waste disposal.

A necessary digression on stabilization

In our concern with the obvious problem of controlling environmental pollution, it is important that we do not unintentionally engender problems of economic stabilization. It is possible that these stabilization problems could arise merely because of existing inadequacies of measurement concepts and resultant statistics.

Let me cite a specific possible future example. As industry spends rising amounts to reduce pollution, these added outlays necessarily will be reflected in future price increases. Hence, when we look at the price statistics, they are likely to have an upward trend—everything else being equal—simply because the private sector is assuming a larger responsibility for the control of pollution, reflected in an upward shift in costs and prices. An alternative course which would not engender this particular statistical problem, of course, would be rising governmental expenditures financed by direct taxation. I am certainly not advocating that we abandon this private sector approach because of the price measurement statistics.

Indeed, as an economist, I think it is highly desirable to move toward a closer correspondence of social costs and private costs, particularly with respect to the generation and elimination of pollution. To the extent that we can do so either through tax policy, regulation or otherwise, we will be encouraging producers and consumers to utilize products and processes which are less polluting than at present. This strikes me as a far more attractive alternative than merely increasing Government expenditures to clean up ever mounting amounts of pollution.

But to conclude that we will have an economic stabilization problem, merely because prices will be rising to reflect the private financing of antipollution efforts, would be badly misleading. To the contrary, new external benefits will have been created, some of which in the long run will increase total productivity in the economy.

In a very real sense, we are describing a situation where two benefits are being created simultaneously. One is the direct benefit that results from the use of the private good, the basic product or service which is being sold in

the market. The other is the social benefit, the improvement in the quality of the environment.

In the short run, the achievement of the social benefit is likely to bring higher costs and prices as initial outlays are made. However, some long-run efficiencies may develop from these investments in an improved environment. These would occur to the extent that they reduce the unit costs of those other firms that previously had suffered from the deteriorating environment (the classic example of the factory smoke and the nearby laundry).

In other cases, such as putting power lines underground in order to maintain an aesthetic environment, the increase in production efficiencies will be less obvious and more indirect.

If we maintain that the cost of producing these highly desirable environmental benefits will not be recognized separately in the price indices, but will be automatically added on to the price of producing the basic private product, we will be in danger of adding a serious upward bias to our price indices. In a sense, the concern here is analogous to the problem of allowing for product quality changes in the price indices. The problem is compounded by the existence of cost-of-living "escalator clauses" in certain collective bargaining agreements, whereby wages advance automatically with a price index increase.

Unless we recognize this changing institutional situation, we could conceivably be fighting inflation at times when there is no underlying excess demand in the economy. We need to avoid creating a new but unnecessary tradeoff between environmental improvement and inflation. This area needs careful study. It strikes me that a new look at existing price indices may be necessary.

Some concluding observations

Both the level and the composition of investment in the United States are undergoing important changes as a result of governmental tax, expenditure, and regulatory actions. The most dramatic change may be the shift in relative importance from conventional, physical investments in plant and equipment to expenditures which enhance the economic productivity of individuals in other ways, such as raising the educational level of the labor force, training programs, and improving individual health. However, governmental investments in physical assets, although generally overlooked, are now of very substantial magnitude. And now on the horizon, we see the prospect of a large expansion of governmentally-induced investment-type expenditures by the private sector either to control pollution or avoid polluting the environment.

The shift toward investment in human resources can be viewed as a concerted effort to improve the quality of factor input. On the other hand, the growing emphasis upon environmental aspects reflects an emphasis upon the quality of output. Unfortunately, in neither case does the market mechanism tell us just where to stop. Improvements in quality are surely a good thing, but there are difficult but important choices among alternatives.

We need to keep in mind such basic economic concepts as the "opportunity cost" of each new venture (that is, the foregone opportunity to devote the resources to something else). Perhaps that comes down to nothing more fundamental than asking the right question of each proposed new investment—public or private, physical or human. Surely, the pertinent question is not whether it is good; the typical proposed activity possesses some intrinsic merit. The right question is, "Is it better, that is, better than available alternatives?" Therein lies the path toward maximizing investment, economic growth, and the general welfare.

Exhibit 13.—Remarks by Assistant Secretary Weidenbaum, May 12, 1970, before the 50th Anniversary Meeting of the National Association of Savings Banks, New York, New York, on the American economy in 1970

For me, it is a very personal pleasure to be here. It must be well over 35 years ago that, as a school boy, I opened my first bank account with one of the member banks of this distinguished association. That early relationship with a thrift institution really had a lasting effect on my savings ratio. Ever since, I have always made my personal contribution to combatting inflation.

I am also here to express our appreciation for the forthright anti-inflationary

stand that the National Association of Mutual Savings Banks consistently has taken. That has been most welcome support.

Some economic perspective

I would like to offer some observations on the American economy. Perhaps you will find that my remarks follow that old jingle—something old, something new, something borrowed, something blue. To begin with, some perspective is useful: the long-run economic objectives of the Administration are threefold—reasonable price stability, high employment, and a healthy rate of growth. But in the short run, the strength and persistence of inflation temporarily makes that our number one economic problem.

Until prices are rising much less rapidly than they are now, the economy must be kept under mild restraint, which is what we are doing. Output has been declining, and there has been some rise in unemployment. These are unwanted, but unavoidable, side effects of bringing inflation under control. I do not know of any quick and easy cure once inflationary momentum has been allowed to build up—and it certainly was allowed to during those critical years—1965, 1966, 1967, and 1968. But since 1969, we have been applying the fundamental corrections; and they are beginning to work.

This Administration inherited a difficult economic situation, a sort of economic hangover resulting from the spending spree that culminated in the massive $25 billion budget deficit in 1968. We had some choices to make in setting our economic policy.

One solution—to let the inflation run its course—was really no solution at all. Inflation had to be brought under control; it certainly would not cure itself. Another solution—to aim deliberately for recession—had little to recommend it. Even with expanded unemployment compensation and similar offsets, the cost of unemployment would be high. Furthermore, a sharp contraction followed by rapid expansion might still leave prices rising too rapidly.

The workable and sensible solution seemed to lie between the two extremes. A policy of firm economic restraint was needed, but not one that would be carried so quickly or so far as to cause deep recession. Instead, total demand for the Nation's output would have to be held below our total productive capacity, and for an extended period of time. Only then could a moderate expansion be resumed without setting off renewed inflation. This is the undramatic and somewhat painful course that was chosen. I believe that it was, and is, the right and responsible course to follow.

A progress report

What are the accomplishments to date? Let me be quite frank; they fall short of our more optimistic expectations. We are running about on track in terms of slowing down the economy, that is, the behavior of total spending and output. But we are running behind schedule in terms of visible relief from inflation; yet, we are making progress. First of all, the acceleration in the rate of price increases has been stopped. That was a critical, although often overlooked, development in the fight against inflation. Now there are signs of the important next stage—the actual slowing down in the rate of inflation. There has been some progress, but we are still plagued by rapidly rising costs and prices. Obviously, even though the tide may be turning, the battle against inflation is hardly over nor yet has it been won.

The fact that total demand is no longer excessive does mean that we have passed through a vital first phase. The application of fiscal and monetary restraint throughout last year was successful in slowing down the rate of total spending. Until that occurred, there was little prospect of lasting relief from inflation.

In the first quarter of this year, there were rather clear signs that demand was no longer excessive:

—In physical volume—what economists call "real terms," that is after correction for price changes—total production in the United States fell slightly in the first 3 months of 1970; meanwhile, prices continued to rise at about the same rate as in late 1969.

—Retail sales have moved up only moderately this year; industrial production had been in a down-trend before edging up in March; and the unemployment rate averaged 4.3 percent in the first 4 months of 1970, up from a low 3.6 percent in the last 4 months of 1969.

But, even with the economy moving slowly, prices are still under strong upward

pressure from the cost side. This is the natural sequence after a period of prolonged inflation. Costs and prices continue to rise for a time on their own momentum. But this "operation bootstrap" cannot continue indefinitely if total spending is kept in check.

Are we really better off now, having exchanged "demand-pull" inflation of 1968 for the "cost-push" inflation of 1970? I think that we are far better off. As long as total demand was excessive, costs and prices were bound to continue rising. Under those circumstances, no relief could be expected. However, once demand is restrained, cost-price pressures could eventually diminish. There are lags in this economic adjustment process, as we know all too well. But with demand restrained, the conditions have been established whereby inflation can recede.

What are the tangible signs that inflation is, in fact, coming under control? They may not exactly overwhelm you, but here are some recent favorable signs:

—Although the consumer price index rose at a hefty 6 percent annual rate in the first 3 months of 1970, on a seasonally adjusted basis, the rise was successively less in each month so far this year.

—The wholesale price index rose at about a 5-percent annual rate in the first 3 months of 1970, but by successively less in each month. The preliminary report for April shows an actual decline of one-tenth of 1 percent. Personally, I do not attach nearly as much weight to the small fraction of 1 percent price decline in just 1 month as I do to the cumulative slowing down pattern in the price indices.

Not all of the economic news is that favorable. For example, the productivity and unit labor cost statistics for the first quarter of 1970 were somewhat less encouraging:

—Output per man-hour apparently edged down fractionally, after rising in the fourth quarter 1969.

—With compensation per man-hour rising at a 7.7 percent annual rate, unit labor costs rose at nearly an 8½ percent annual rate.

On the basis of past experience, however, we would expect sharp rises in productivity when the economy once again begins to expand. This would help to dampen cost-price pressures.

It obviously is going to take awhile longer before the inflationary process can be unwound. For a time, we may still find that there will be risks on either side: excessive slowdown or premature speedup. It will be particularly important in the period immediately ahead to keep the policy dials on a fairly steady setting. This may mean something like an "even keel" for fiscal policy. I do not believe that it is wise to rush in with new policy proposals each time some erratic economic indicator turns for the worse or for the better.

The budgetary situation

In the present economic environment, the maintenance of a strong budgetary position is extremely important. Certainly in the absence of any sharp reversals of the apparent trends in the private sector, the Federal budget should be kept in the neighborhood of balance during the next few years. In order to achieve that, the Administration is finding it necessary to follow a policy of holding the line on expenditures.

Now that does not mean that every single request for increasing spending is automatically turned down. Economic policy is not set on automatic pilot. The needs of economic stabilization inevitably must be reconciled with the pressing needs of programs given high priority. The important element is to maintain the overall posture of budgetary restraint, to make the hard choices which are necessary in rejecting a good many of the available and attractive candidates for Government spending. Thus, while there have been some well-publicized "pluses" on the expenditure side, there will be some compensating "minuses" as well. For example, the Administration intends to absorb a good part of the Federal pay raise, keeping its full impact from raising expenditures.

Some lessons learned from recent experience may help in keeping the economy on a steadier path of expansion. Many of our present difficulties can be traced to the large budget deficits which emerged after 1965. There is general agreement on the need to avoid large and destabilizing swings in the budget. But some argue whether the swing of a few billion dollars from surplus into deficit really matters in a trillion dollar economy.

Although I relish academic disputations as much as any other economist who has earned his Ph. D., frankly I just do not think that this is the pertinent question in the present environment. As I see it, the key point now is the need

to maintain budgetary restraint in order to dampen down the continuing inflationary pressures. To the extent that the Federal Government can continue to slow down the rise in Government spending, to that extent can we expect the private sector to exercise similar restraint.

In contrast, if revenues do not come up to expectations because economic restraint takes hold in some sectors more rapidly or fully than anticipated, this in itself does not strike me as a cause for economic concern. This is the well-known, built-in automatic stabilizers at work, a phenomenon which is welcomed by economists of all political persuasions.

The present does not impress me as the appropriate time to relax the downward pressure on the expenditure side of the budget. To be sure, no budget is ever "set in concrete." A budget is an action document, modified from time to time.

Even after taking account of the modifications which have occurred to date, the Federal budget for the fiscal year 1970 is a restrictive one. In "real terms"—adjusting the actual figures for the effects of inflation—Federal spending is declining between the fiscal years 1969 and 1970. On the basis of present policy, "real" spending will decline again in the fiscal year 1971.

In fact, some extremely capable economists outside of the Federal Government contend that a more sophisticated analysis—that using the so-called full employment budget surplus concept—would show that the degree of economic restraint may even become greater than they would care to see. While I do not share their confidence in the exactness of such calculations, they do tend to reinforce my own evaluation of continuing Federal fiscal restraint.

In recent days, I have been asked what, if any, is the impact of developments in Southeast Asia on the budgetary outlook. My reply is that the Treasury Department has been assured that the recently taken actions in Cambodia will utilize existing and available forces and equipment. On that basis, the existing budget estimates take account of these developments.

At this point, I think it might be useful if I report on an effort underway which indicates our continuing concern with improving the effectiveness of governmental budgeting and financial planning. A subcommittee of the Cabinet Committee on Economic Policy has been studying the operation of the unified budget—that budget concept which resulted from the recommendations of the Commission on Budget Concepts.

An area of particular interest is the operation of the various types of Federal credit programs. These programs include direct loans by Federal agencies, which are in the budget, and federally-assisted credit extended either by Government-sponsored (and now privately owned) institutions or by entirely private organizations with a Federal guarantee.

In recent years, the amount of federally-assisted credit, which is financed outside of the budget proper, has been expanding rapidly, particularly as agencies (such as Fannie Mae) which had been partially federally owned became privately owned, although with some continuing Federal involvement or relationship.

We are now at the point where the volume of borrowings to finance federally-assisted credit programs is roughly equal in size to the total corporate bond market and is about twice as large as the municipal bond market. Thus, our subcommittee is taking a fresh look at some of the implications for financial markets as well as the overall impact of these programs on the economy.

As chairman of this activity, I would like to be in a position to report that we have come up with a sure-fire solution. However, that is not the case, at least not yet. In a positive way, we have been exploring alternative methods whereby the various forms of federally-assisted credit can be reviewed in a more comprehensive manner so as to permit more effective allocation of credit resources. Certainly, it would be desirable to provide greater attention to these programs, both those "in" and "out" of the budget, in the formulation of overall fiscal and monetary policy.

The economic outlook

The first half of 1970 is not likely to be a period of any significant expansion in the economy as a whole. Of course, in dollar terms, the economy is rising and will likely continue to rise. The measures of personal income, money supply, gross national product, etc., all are likely to continue going up all through 1970. However, in physical volume terms, the economy is marking time right now as inflationary pressures and psychology are being reduced.

Even though I would like to be obliging, I just cannot confidently predict the

exact extent to which inflationary pressures will be brought down. In our society, that will depend on actions in both the private sector as well as in the public sector. To a major extent, the public sector itself was the basic source of the current inflation. The Administration has taken important actions to put our public sector house in order. The maintenance of fiscal restraint, of course, will continue to be needed in order both to make further progress in bringing down the rate of inflation and to demonstrate that we are serious about bringing inflation under control.

Yet, there is a division of labor in the American economy. We are primarily a private sector oriented economy. In good measure, the responsibility for fighting inflation also now lies in the private sector, for business, labor, and consumers alike to conduct their economic affairs in that manner characterized by enlightened self-interest which will avoid a new round of inflation.

The expectations for 1971 are somewhat brighter than those for 1970. However, 1971 is not likely to be a boom year. We do not want a repetition of the 1967 experience, when a pause in the economy led to overreaction by Washington and then to another major burst of inflation.

In 1971, inflation should be rising more slowly than in 1970. In 1971 and the years following, we should be obtaining the payoff for the necessary economic medicine that we have been taking during the past year.

With the continued use of a proper combination of monetary and fiscal policies, we should be able to achieve that reduction in the rate of inflation which will set the stage for achieving our more fundamental economic objectives, which are the expansion of production, employment, and living standards.

The slow going of the past several months will then appear in a somewhat different perspective. But for the time being, we must complete the job of reducing the rate of price increase to much more tolerable proportions. Thus, the economic medicine that we have been taking should yield many vintage years later in the decade of the 1970's.

Exhibit 14.—Statement by Assistant Secretary Weidenbaum, June 2, 1970, before the Subcommittee on Economy in Government of the Joint Economic Committee

It is always a pleasure to appear before the Joint Economic Committee. I hope that you find my testimony useful. Basically, what I would like to do is to offer a mechanism for making more enlightened choices on national priorities.

In doing so, I will be drawing on work that I did as a professor of economics before joining this Administration. As you will see, the methodology may be useful for illuminating both current decisions on priorities as well as future actions. As you can appreciate, this will be a very personal statement.

A Government-wide program budget

In a sense, the following approach builds on the planning–programing–budgeting (PPB) system and attempts to fill a major remaining gap. Despite its accomplishments to date, the PPB approach is not coming to grips with the larger choices in allocating Federal funds among different agencies and programs.

"Would a dollar be more wisely spent for education or for public works?" This fundamental question is not raised in the budgetary process at the present time. The current and, of course important, emphasis is on choosing among more specific alternatives within the education and public works categories. Furthermore, the choices usually are restricted to those which can be made within each of the many agencies involved in education or public works.

A program budget for the entire U.S. Government can be developed from available budget materials. Such a Government-wide program analysis permits comparing alternative programs of different agencies for fulfilling broad national goals, rather than merely examining the alternatives available to a single Federal agency.

The hypothetical program analysis for the entire Federal Government, which I present here, is based on the fundamental end purposes for which the various Government programs are carried out.[1]

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[1] This analysis draws on Chapter VII of my recent book, "The Modern Public Sector," New York, Basic Books, Inc.

In a world of critical international tensions, the initial purpose that comes to mind is the protection of the Nation against external aggression—to maintain the national security. A variety of Federal programs exists in this category, ranging from equipping and maintaining our own military establishment, to bolstering the armed forces of other nations whom we consider actual or potential allies, to various types of nonmilitary competition, and to negotiating arms control agreements.

A second basic national purpose, one also going back to the Constitution, is the promotion of the public welfare. Here, we find the Federal Government operating in the fields of unemployment compensation, social security, veterans pensions, and many other such activities.

A third major purpose of Government programs has received an increasing amount of attention in recent years—the continued development of the American economy. This area covers the various programs to develop our natural resources and transportation facilities, as well as support of education, health, research and development, and other attempts to increase economic growth.

Finally, there is the routine day to day operation of the Government, such as the functioning of the Congress and the Federal courts, the collection of revenues, and the payment of interest on the national debt.

Table I shows how the requested funds in the Federal budget for the fiscal year 1971 are allocated among the four major purposes sketched out above. It may come as a surprise to many people to learn that public welfare programs, rather than national security activities, receive the largest single share of the budget.

A comparatively small portion is devoted to the economic development items, such as education, research, natural resources, etc. An examination of the Federal budget and congressional appropriation hearings over the years reveals little systematic attempt to appraise the wisdom or desirability of these overall choices implicitly made in the allocation of Government resources among these major alternative uses.

It may be mere conjecture to conclude that, possibly, the allocation of funds would have been somewhat different if the appropriation requests had been reviewed with an eye on the total picture, instead of examined as individual appropriation items in relative isolation. Added insight to the possible program choices that can be made, using the type of framework suggested here, may be gained from a somewhat deeper analysis of the content of each of these categories.

National security.—As would be expected, the bulk of the national security budget is devoted to the U.S. military forces. However, one-tenth of the total is comprised of programs that would promote the national security through somewhat more indirect means, such as conducting nonmilitary forms of competition (NASA and USIA) or increasing the military capabilities of friendly nations.

The data in table II can be used to indicate the types of "strategic" choices that can be made—or are currently being made only indirectly—in allocating funds for national security. First of all, these various defense-related programs are not, to my knowledge currently brought together and viewed as a totality anywhere in the budget process. The groupings, of course, are arbitrary and illustrative; some, for example, may contend that NASA's contribution to American economic development is greater than its national security role.

TABLE I.—*Rudimentary program budget for the U.S. Government new obligational authority plus loan authority, fiscal year 1971*

[Dollar amounts in billions]

Broad purpose	Amount	Percent
Public welfare	$95.6	41.1
National security	74.3	32.0
Economic development	35.2	15.1
Government operations, etc	27.5	11.8
Total	232.6	100.0

SOURCE.—Appendix A to this statement.

TABLE II.—*National security programs, fiscal year 1971*

[Dollar amounts in billions]

Program category	Amount	Percent
U.S. military forces	68.2	91.8
Scientific competition (NASA)	3.3	4.5
Foreign nonmilitary aid	1.9	2.6
Foreign military forces	.5	.7
Psychological competition (USIA)	.3	.4
U.S. passive defense	.1	(2)
Arms control and disarmament	(1)	(2)
Total	74.3	100.0

[1] Less than $50 million.
[2] Less than ½ of 1 percent.

The approach suggested here could lend itself to first raising and then answering questions such as the following:

—Would national security be improved by shifting some or all of the $5.7 billion for foreign aid and nonmilitary competition to the U.S. military establishment itself?

—Conversely, would the national security be strengthened by moving a proportionately small share of the direct military budget, say $500 million, to the USIA or the arms control effort and thereby obtaining proportionately large increases in these latter programs?

—Are we putting too much into foreign economic aid and not enough into the space program? Or vice versa?

—Would the Nation be better off if we shifted some of the funds now going to passive (civil) defense to the U.S. Arms Control and Disarmament Agency? Or vice versa?

The very existence of the type of information presented here may lead not only to attempts to answer questions such as these, but, more fundamentally, to widen the horizons of budget reviewers.

Public welfare.—Over two-fifths of the 1971 budget is devoted to programs in the general area of the public welfare. Again, these activities are nowhere brought together so that the various spending programs can be compared against each other. The tabulation of public welfare programs contained in table III shows a rather large assortment.

The various quasi-life insurance, unemployment compensation, and retirement programs receive the great bulk of the funds for public welfare. However, this may be hardly a conscious decision. The level of expenditure for these programs—such as the old-age and survivors' insurance system—is predetermined by basic, continuing statutes; they are financed by permanent, indefinite appropriations which are not subject to review during the budget process because they do not even appear in the annual appropriation bills. Hence, it is not surprising that these programs have grown to dominate the nondefense budget, exceeding by far the total outlays for the various economic development programs.

Likewise, the expenditures under the various agricultural price support pro-

TABLE III.—*Public welfare programs, fiscal year 1971*

[Dollar amounts in billions]

Program category	Amount	Percent
Life insurance and retirement (including Medicare)	$60.8	63.6
Public assistance	9.0	9.4
Assistance to farmers and rural areas	8.0	8.4
Veterans' compensation and pensions	7.4	7.7
Unemployment insurance	4.0	4.2
Urban housing and facilities	3.7	3.9
Antipoverty programs	1.5	1.6
Specialized welfare programs	1.2	1.2
Total	95.6	100.0

grams (which dominate the category of "Assistance to farmers and rural areas") exceed all of the outlays for the programs of urban housing, antipoverty, and other specialized welfare activities combined. Again, the farm subsidy program is generally set by the substantive laws on price supports and farm aid, rather than through annual appropriations.

Also, this level of detail permits some cross-comparisons of Government programs which are not currently made. For example, the \$1.5 billion for formal efforts to reduce poverty in the United States is less than the \$1.9 billion for foreign economic aid. Would some trade-off between the public welfare and national security areas result in a net advantage? This type of analysis is attempting to answer the fundamental question, "Would an extra dollar (a billion, in the case of the Government) be more wisely spent for program A or for program B?"

Economic Development.—In this exploratory categorization of Government programs, a number of activities are listed under the heading, "Economic Development." A good share of them, such as the development of needed natural resources or the improvement of necessary transportation facilities, may contribute to the more rapid growth and development of the American economy. Others, such as various subsidies, may be more questionable. Of course, it is inevitable that any such classification will contain many borderline cases.

A brief examination of the composition of the Economic Development category is revealing (see table IV). Transportation facilities account for the largest single share, and when combined with natural resource development and related aids to business, account for almost two-thirds of the total. A Government-wide program budget would focus attention on questions such as, "Would a shift of funds between transportation and education be advisable? Between natural resources and research?" Raising these questions need not be taken as expressing value judgments, but rather as indicating a pattern for governmental decisionmaking.

Government operations.—The final category of Government programs represents the general costs of operating the Government, the relatively day-to-day functions. More than 80 percent of the funds in this category cover the payment of interest on the public debt. The bulk of the remaining outlays for Government operations is devoted to collecting internal revenue and the housekeeping activities of the General Service Administration.

Implementation.—The incorporation in the President's budget message and the annual budget document of the approach here suggested might result in growing congressional and public concern and awareness of the problems of choosing among alternative uses of Government funds. In the absence of an automatic market mechanism, such an approach might introduce a healthy degree of competition in governmental resource allocation. In a sense, the adoption of a Government-wide program budget would represent a logical expansion of the current program budgeting effort to work across rather than only down the traditional departmental lines.

An alternative means of implementation would be for a congressional committee staff to rework the existing budget submissions within this framework for review, say, by the entire Appropriations Committee prior to its detailed examination of individual appropriation requests. This would permit the parent appropriation committees to set general guidelines and ground rules for the detailed budgetary review performed by the specialized subcommittees. It would also permit some improvement over the current situation, in which overall Government policy often seems to be the accidental byproduct of budget decisions

TABLE IV.—*Economic development programs, fiscal year 1971*

[Dollar amounts in billions]

Program category	Amount	Percent
Transportation facilities	\$13.0	36.9
Natural resources and regional development	10.1	28.7
Health research and development	5.3	15.1
Education and general research	4.2	11.9
Manpower development	1.7	4.8
Aids and subsidies to business	.9	2.6
Total	35.2	100.0

397-702 O—71——21

on the various departmental requests, rather than the guiding hand behind those decisions.

The underlying theme of this program approach to Government budgeting is the need to array the alternatives so that deliberate choice may be made among them. It has its counterpart in the private sector. Many families might rush out and spend the Christmas bonus for a new car; a more prudent family may carefully, although subjectively, consider the relative benefits of a new car, a long summer vacation, or remodeling the basement. Similarly, a well-managed company would not impulsively decide to devote an increase in earnings to raising dividends, but would consider in detail the alternative uses of the funds—embarking on a new research program, rebuilding an obsolescent manufacturing plant, or developing a new overseas operation.

Application to the fiscal year 1971 budget

It might be useful to analyze the President's budget for the fiscal year 1971 using the framework here presented so as to see what changes in priorities are implicit in it. The actual figures for the fiscal year 1969 are taken as the basis for comparison; hence, the increases (and decreases) between 1969 and 1971 are indicative of the revisions in priorities made thus far by the Nixon Administration.

As shown in table V, the public welfare area is the major area of expansion; it has received slightly more than one-half of the increased funds during the 2-year period. In contrast, national security has been reduced substantially. Both economic development and Government operations show expansion between 1969 and 1971, but of considerably smaller magnitudes than public welfare.

The lower half of the table shows the more specific program categories which have experienced gains or losses of $1 billion or more during the 2-year period. They correspond by and large to the movements in the larger functional categories.

Two shortcomings in the analysis

Any analysis of governmental priorities is inherently limited to the items which are contained in the budget itself. At present two major types of governmentally-related activities are not included in the budget proper. Let us try to identify these activities and attempt to incorporate them into the analysis.

Government credit programs.—The first category of items omitted from the Federal budget consists primarily of uses of the credit of the Federal Government. The bulk of Federal credit assistance programs is now financed outside the budget by means of (1) various loan guarantee techniques and (2) loans made by federally-sponsored but ostensibly privately-owned agencies.

Of the estimated $22.2 billion net increase in Federal and federally-assisted loans outstanding for the fiscal year 1971, only $1.6 billion are direct loans which show up in the budget. Table VI contains detail on the composition of the $20.6 billion of federally-assisted credit programs which are not contained in the budget proper. There is little Government control over the expansion of these federally-assisted loans outside the budget and, hence, little overall consideration can be given to their impact on financial markets and on the economy.

TABLE V.—*Major shifts in the Federal budget, fiscal years 1969–71*

[In billions of dollars]

Category	Amount of change
A. Basic goal:	
Public welfare	+15.9
Economic development	+10.4
Government operations, etc	+6.6
National security	−7.3
B. Program area:	
Life insurance and retirement (including Medicare)	+12.8
Natural resources and regional development	+4.2
Transportation facilities	+3.6
Public assistance	+2.6
Interest payments	+2.4
Civilian and military pay increases	+1.4
Contingencies	+1.2
Manpower development	+1.0
U.S. military forces	−7.3

The largest single category of federally-assisted private credit is to the home mortgage market. This is accomplished through a variety of mechanisms. The Federal Housing Administration and the Veterans' Administration guarantee and insure individual home mortgages. The now privately-owned Federal National Mortgage Association (Fannie Mae) operates a secondary market for FHA mortgage lenders. The Federal home loan banks raise and provide funds for the savings and loan institutions which are important sources of mortgage credit. Most recently, the wholly federally-owned Government National Mortgage Association (Ginny Mae) issues mortgage-backed securities, which is an attempt to sell indirectly mortgages to investors who prefer other types of investment instruments.

So long as federally-assisted loans and loan guarantees are excluded from the budget and thus are not subject to effective controls, there are strong incentives to convert from direct loans to these more indirect techniques. We need to acknowledge that these indirect techniques possess important advantages (particularly from the viewpoint of the program advocates) as well as disadvantages.

Viewed objectively, these federally-assisted borrowings are absorbing a rapidly increasing portion of the total of private credit flows in the economy, up from 13 percent in the fiscal year 1969 to perhaps 25 percent in fiscal 1971. Because they are based on the credit standing of the U.S. Government, these programs are largely insulated from the credit rationing impact of monetary policy and financial market restraints imposed on other private loans. Beyond that, in many cases, Federal interest subsidies insulate these borrowers from increases in market rates of interest.

As you may know, a subcommittee of the Cabinet Committee on Economic Policy has been studying the operation of the unified budget, with special attention to the treatment of Federal credit programs. As chairman of this activity, I would like to be in a position to report that we have come up with a sure fire solution. However, that is not the case, at least not yet.

TABLE VI.—*Net change in outstanding federally assisted private credit*

[In millions of dollars]

Selected programs	1969–70 Guaranteed and insured	1969–70 Government sponsored	1970–71 Guaranteed and insured	1970–71 Government sponsored
National defense:				
Foreign military aid	90		25	
International affairs and finance:				
Foreign economic aid	366		513	
Export-Import Bank	1,179		1,301	
Agriculture and rural development:				
Farmers Home Administration	587		2,258	
Banks for cooperatives		97		103
Intermediate credit banks		436		479
Federal land banks		577		582
Commerce and transportation:				
Economic Development Administration	14		24	
Maritime Administration	23		131	
Small Business Administration	365		481	
Interstate Commerce Commission	−10		−10	
Community development and housing:				
Urban renewal	371		456	
Public housing	1,043		1,426	
Communities loans	40		55	
Federal Housing Administration	5,202		7,877	
Mortgage-backed securities (GNMA)	500		1,000	
Fannie Mae (FNMA)		5,648		4,600
Federal Home Loan Banks		4,487		2,400
Education and manpower:				
Student loans	713		704	
Academic facilities loans	100		200	
College housing loans	50		200	
Health: Medical facilities			92	
Veterans' benefits and services:				
Veterans Administration	130		1,888	
General government	−2		111	
Total	10,761	11,245	18,731	8,164
Deduct: double counting	6,548		5,938	
Net total	4,213	11,245	12,793	8,164

We have been exploring alternative methods whereby the various forms of federally-assisted credit can be reviewed in a more comprehensive manner so as to permit more effective allocation of credit resources. While the precise economic impact of credit assistance is difficult to determine, certainly it would be desirable to focus greater attention on these programs, both those "in" and "out" of the budget, in the formulation of overall fiscal and monetary policy.

One method of providing some aggregate control over these "extra-budget" credit programs would be to impose a ceiling on the total borrowing of Federal and federally-sponsored credit agencies, both those "in" and "out" of the budget. Also, such a ceiling could be enacted on the overall volume of debt created under Federal loan insurance and guarantee activities.

Another alternative would be to establish quantitative controls over all Federal credit programs, including Government-guaranteed and Government-sponsored loans as well as on direct lending by Federal agencies.

Several steps in this direction were taken in the fiscal 1971 budget document. For the first time, the basic summary table in the President's budget message included a section on outstanding Federal and federally-assisted credit. Moreover, the companion volume of special analyses of the budget contains an expanded section on "Federal Credit Programs," which provides considerable detail on Federal loan guarantees and Government-sponsored agency credit.

Any comprehensive analysis of governmental priorities needs to take account of the operation of these federally-assisted credit programs. They can strongly influence the allocation of credit and, hence, the distribution of real resources, thus adding to the economic impact implied from an examination limited to the budget proper.

Tax aids.—There is a second type of governmentally-related activity which is not included in the budget proper. Through special exemptions, deductions, and credits, and through departures from general concepts of net income, the tax system operates so as to affect the private economy in ways that might alternatively be accomplished by direct Government expenditures. For example, the expenditure side of the budget properly records items for medical assistance. However, nowhere in the budget is account taken of the $95 million a year foregone by the tax system by reason of the special exemption for sick pay paid to employees.

The natural resource agencies of the Federal Government, such as the Department of the Interior, dutifully record outlays for programs in those areas. However, no mention is made of the substantial assistance to natural resource industries through depletion allowances and other special tax provisions.

It may be useful, therefore, to attempt to quantify the expenditure equivalents of at least the more obvious benefit provisions. To be sure, this is a difficult undertaking involving, as in the other classifications presented in this statement, many arbitrary categorizations. Just which tax measures can be said to fall in the category of special provisions often require subjective decisions.

It is difficult to decide which tax rules are integral to a tax system in order to provide a balanced tax structure and a proper measure of net income—as opposed to those provisions which represent departures from that net income concept to provide relief, assistance, or incentive to a particular group or activity.

Tax aids have the outward appearance of involving no Government costs. They are, in effect, netted out of receipts by the taxpayers themselves so that taxes paid by taxpayers, and hence taxes collected by the Government, are net after adjustment for tax concessions. There is a real cost to the Government in terms of foregone revenue and to the economy as a whole in terms of the increased share of current national output available to the beneficiary of the particular tax aid.

In theory, Government accounting could take account of the explicit inclusion of a noncash transaction such as tax aids. There is some precedent in business accounting practices. One business item related to sales, sales discounts, is explicitly measured. Sales discounts are similar to tax aids; both are nonmonetary transactions.

The tax aid as measured in table VII is the difference between the tax actually paid and the tax that would otherwise be paid in the absence of the tax aid provision. The difference is solely the immediate revenue effect on the public sector and hence the immediate, direct income effect on the private sector. No induced or indirect effects are taken into account, although these could be significant in some cases.

Table VII is an updated version of a Treasury Department analysis earlier referred to as "Tax Expenditures." A few words of caution are essential. First

of all, the very phrase, "Tax Expenditures," is a contradiction in terms. In reviewing the staff work that underlies that earlier work, I found that the original term was "Tax Aids." I believe that it is more useful to utilize that term.

My more fundamental concern is that a mere tabulation of tax aids should not be labeled a listing of "loopholes." The purpose is informational, to illuminate the cost of these provisions. As a general matter, I find the case rather persuasive that tax incentives often can result in more of a private sector solution of some pressing national problem than a direct Federal expenditure.

However, I see no need to beg the question as to whether direct expenditures or tax aids are preferable in any given program area. Tax aids are one among alternative uses of potential Federal revenues and any comprehensive analysis needs to take account of them. Like the earlier attempt previously cited, the current effort is not a complete listing of all the tax provisions which vary from a strict definition of net income. In good measure, the purpose is to be illustrative rather than exhaustive.

As shown in table VII, personal deductions and related tax benefits to individuals in the category of "income security" constitute by far the largest single portion of tax aids—$16 billion out of $44 billion in the fiscal year 1969.

Tax provisions benefiting business in general—such as the since repealed investment credit and the continuing surtax exemption (shown under "Commerce and transportation")—are the second largest type of tax aid. Their estimated cost, in foregone revenue, came to $9 billion in the fiscal year 1969.

The third largest tax aid category benefits are directed to State and local governments. The deductability of State and local taxes and related provisions came to an estimated revenue cost of $6 billion in 1969.

As will be brought out more clearly in the following section, the implied priorities in the allocation of tax aid differs somewhat from that of direct budget outlays.

A summing up

It may be useful to attempt to bring together in one analysis the direct outlays of the Federal Government, the tax aids, and the various credit programs. Frankly, I hesitate to do so for fear of adding the proverbial apples and oranges, although those do add up to pieces or pounds of fruit. In this case, they all add up in terms of dollars, but not necessarily in terms of total economic impact. There are undoubtedly different effects on resource allocation among direct Federal purchases, transfer payments, loans, tax aids and credit backing. Nevertheless, I believe that the results of a total "summing up" are helpful to any comprehensive analysis of governmental priorities.

Table VIII shows, on the basis of the Federal Government's existing functional classification, direct outlays as well as some of the related governmental programs that are not included in the budget.

In a number of cases, it can be seen that the direct Federal outlays constitute a relatively small proportion of the total volume of governmentally-related financial activity affecting a given program area. The leading example may be community development and housing where only $2.0 billion, or 1 percent, of the Federal expenditures were devoted to this area in the fiscal year 1969, but the assistance through $4.8 billion of tax aids and $8.7 billion of credit programs

TABLE VII.—*Summary of estimated tax aids, fiscal years 1968 and 1969*

[In millions of dollars]

Tax aids by budget function	1968	1969
National defense	500	550
International affairs and finance	370	410
Agriculture and rural development	930	1,000
Natural resources (e.g., depletion allowances)	1,605	1,765
Commerce and transportation (e.g., investment credit and surtax exemption)	7,775	9,200
Community development and housing (e.g., deduction of interest and taxes on residence)	3,950	4,800
Income security (e.g., personal deductions)	12,950	15,905
Health (e.g., deduction of medical expenses)	2,600	3,000
Education	720	800
Veterans' benefits and services	550	600
Aid to State and local government (e.g., deduction of State-local taxes)	4,600	6,150
Total	36,550	44,180

SOURCE.—Appendix B to this statement.

came to over six times the budget amount. Other program areas where the extra budget activities are substantial include commerce and transportation ($9 billion of tax aids), income security ($16 billion of tax aids), and agriculture ($3 billion of tax aids and credit assistance).

However, in the case of national defense, the direct outlays account for virtually all of the program area. For space, interest, and general government, no tax aids or governmentally-assisted credit activities are shown.

In contrast, the category of general assistance to State and local governments shows no direct Federal expenditures in the fiscal year 1969, but substantial amounts of tax aids (mainly through the deductibility of State and local taxes and the tax exemption of interest on State and local bonds). The proposed program of Federal revenue sharing would involve direct Federal expenditures for unrestricted aid to States and localities.

Clearly, the implied ranking of priorities which is based on examining direct Federal budget outlays is subject to considerable modification when account is taken of those related Government activities which take the place of direct expenditure. However, that implicit change in priorities is hardly drastic. At the least, some attempts to more formally include tax aids and credit programs in an analysis of Federal priorities would appear to be desirable.

Conclusion

This presentation has offered several analytical techniques for improving the quality of decisionmaking on national priorities. As we enter the 1970's, filled with a mixture of hope and uncertainty toward our national future, it seems clear that many difficult and important decisions and choices will face national policymakers.

Even in an economy as rich and productive as ours, resources are limited. Claims on output must be balanced against the economy's capacity to produce. As always, priorities will be established, either by design or by default, to permit the satisfaction of some demands over others. But any enlightened attempt to reorder and establish priorities cannot take place until we possess a clear understanding both of the existing general ordering of priorities and the nature of the possible choices to be made.

Development of a Government-wide program budget, enabling us to evaluate choices which cut across existing agency and program lines, would be a valuable asset to our decisionmaking efforts. In addition, bringing such "extra-budgetary" items as Federal credit assistance and Federal tax aids into the analytical framework would enable us to have a more complete accounting of the existing order of Federal priorities.

In this statement, I have tried to show how both of these analytical techniques can assist Federal policymakers. The pressure of competing demands and the need for exercising hard choices makes this process difficult enough without further complicating matters by the absence of adequate information. Hopefully, improvement in the quality of our information can lead to improvement in the quality of our decisions.

TABLE VIII.—*Federal Government outlays and related activities, fiscal year 1969*

[In millions of dollars]

Function	Direct outlays	Selected tax aids	Government assisted credit	Total
National defense	81,240	550	115	81,905
International affairs and finance	3,785	410	490	4,685
Space research and technology	4,247			4,247
Agriculture and rural development	6,221	1,000	2,308	9,529
Natural resources	2,129	1,765		3,894
Commerce and transportation	7,873	9,200	220	17,293
Community development and housing	1,961	4,800	8,656	15,417
Education and manpower	6,825	800	632	8,257
Health	11,696	3,000		14,696
Income security	37,399	15,905		53,304
Veterans benefits and services	7,640	600	1,558	9,798
Interest	15,791			15,791
General government	2,866			2,866
Assistance to State and local governments		6,150		6,150
Adjustments	−5,117		−2,244	−7,361
Total	184,556	44,180	11,735	240,472

APPENDIX A

Hypothetical Government-wide program budget, fiscal year 1971

[In billions of dollars]

Category	Interior	HEW	HUD	VA	AEC	Defense	State	Treasury	Post Office	Commerce	Labor	Agriculture	NASA	DOT	CSC	Other	Total
National security:																	
U.S. military forces					1.2	67.0										0.1	68.2
U.S. passive defense						.1											.1
Foreign military aid																.5	.5
Nonmilitary aid																1.9	1.9
Scientific competition													3.3				3.3
Psychological competition																.3	.3
Arms control																	
Total					1.2	67.1							3.3			2.8	74.3
Public welfare:																	
Insurance and retirement		50.9				3.2										1.9	60.8
Unemployment benefits											4.0				4.9		4.0
Public assistance		9.0															9.0
Veterans benefits				7.3													7.4
Assistance to farmers												8.0					8.0
Urban housing			3.0			.7											3.7
Specialized welfare		1.2															1.2
Antipoverty																1.5	1.5
Total		61.1	3.0	7.3		3.9					4.0	8.0			4.9	3.4	95.6
Economic Development:																	
Natural resources	6.1				1.2	1.3				0.3		.6				.6	10.1
Manpower											1.7						1.7
Transportation									0.6	.4				11.3		.8	13.1
Education		3.6								.4							4.2
Health		3.2		2.0													5.3
Business subsidies										.1						.8	.9
Total	6.1	6.8		2.0	1.2	1.3			.6	1.2	1.7	.6		11.3		2.3	35.3
Operations:																	
Interest								19.0									19.0
Legislative																.4	.4
Judicial																1.3	1.3
Regulation											.2					.2	.3
Housekeeping								1.5							.1	.8	2.5
Foreign relations							0.5									.8	1.2
Revenue sharing																.3	.3
Total							.5	20.5			.2				.1	3.9	25.0
Allowances																2.6	2.6
Grand total	6.1	68.0	3.0	9.4	2.4	72.3	.5	20.5	.6	1.2	5.8	8.6	3.3	11.3	5.0	14.7	232.6

APPENDIX B

Explanation of tax aids

An important recent development in the effort to make the Federal budget a more useful tool of economic policy has been an increasing awareness of the growing magnitude of fiscal benefits accruing to various categories of taxpayers. Over the years the Federal income tax structure has gradually accumulated a host of special deductions, credits, exclusions, exemptions, and preferential rates designed to achieve various social and economic objectives. It has been recognized that these selective reductions in tax liabilities have the same fiscal impact on the budget surplus or deficit as direct increases in expenditures. In this context they have been termed "tax expenditures." A more appropriate term might be "tax aids."

In the broadest sense a tax aid can be defined as any identifiable reduction in tax liability by an individual or business compared to a tax base totally devoid of any deduction from income or distinction of treatment of different kinds of income. Such a definition of tax expenditures would include differences in tax liability because the individual was married or single, old or young, healthy or disabled, lived at home or abroad, was charitable or uncharitable, was a homeowner or renter, etc.

But to group together without distinction all deviations from a theoretically neutral tax system would be hopelessly cumbersome and reduce the usefulness of the tax expenditure concept as an added measure of the total fiscal impact of the Federal budget. The more practical approach is to group by functional spending category those tax aids intended to encourage private action to resolve various social and economic problems or to give fiscal relief to those who might receive an inadequate share of current productive resources under a completely neutral tax system. In most cases these tax aids are clearly an alternative to an equivalent increase in Federal expenditures that would otherwise be required.

The first compilation of tax aids under this approach was published in the 1968 Annual Report of the Secretary of the Treasury. This compilation helped create public discussion and improved understanding of the program aspects of tax aids. It also helped to stimulate program analysis of tax aids, an approach which has received the endorsement of President Nixon. In his tax message to the Congress of April 1969, the President stated:

"Tax dollars the Government deliberately waives should be viewed as a form of expenditure, and weighed against the priority of other expenditures. When the preference device provides more social benefit than Government collections and spending, that 'incentive' should be expanded; when the preference is inefficient or subject to abuse, it should be ended."

In addition to its value as a catalyst for program analysis, the compilation has value for economic analysis. Such compilations focus on tax aids as important determinants of the size of budget deficits and surpluses. The overall magnitude of foregone revenues due to tax aids is substantial and, if the budget is not balanced, the deficit and surplus is only a small fraction of that magnitude. Year to year changes in tax aid magnitudes, either because of economic growth or through legislative actions, affect substantially the size of the budget deficit (or surplus) and the expansionary (or restrictive) course of the economy.

Table B presents an updating of data on estimated tax aids for the fiscal years 1968 and 1969 on the basis of the current functional breakdown of Federal

TABLE B.—*Estimated tax aids, fiscal years 1968 and 1969*

[In millions of dollars]

Tax aids by budget function	1968	1969
National defense:		
Exclusion of benefits and allowances to Armed Forces personnel	500	550
International affairs and finance:		
Exemption for certain income earned abroad by U.S. citizens	40	45
Western Hemisphere trade corporations	50	55
Exclusion of gross-up on dividends of less-developed country corporations	50	55
Exclusion of controlled foreign subsidiaries	150	165
Exclusion of income earned in U.S. possessions	80	90
Total	370	410

TABLE B.—*Estimated tax aids, fiscal years 1968 and 1969*—Continued

Tax aids by budget function	1968	1969
Agriculture and rural development:		
Farming: expensing and capital gain treatment	800	860
Timber: capital gain treatment for certain income	130	140
Total	930	1,000
Natural resources:		
Expensing of exploration and development costs	300	330
Excess of percentage over cost depletion	1,300	1,430
Capital gains treatment of royalties on coal and iron ore	5	5
Total	1,605	1,765
Commerce and transportation:		
Investment credit	2,300	3,000
Excess depreciation on buildings (other than rental housing)	500	550
Dividend exclusion	225	260
Capital gains: corporation (other than agriculture and natural resources)	500	525
Excess bad debt reserves of financial institutions	600	660
Exemption of credit unions	40	45
Deductability of interest on consumer credit	1,300	1,600
Expensing of research and development expenditures	500	550
$25,000 surtax exemption	1,800	2,000
Deferral of tax on shipping companies	10	10
Total	7,775	9,200
Community development and housing:		
Deductibility of interest on mortgages on owner-occupied homes	1,900	2,200
Deductibility of property taxes on owner-occupied homes	1,800	2,350
Excess depreciation on rental housing	250	250
Total	3,950	4,800
Income security:		
Disability insurance benefits		100
Provisions relating to aged, blind, and disabled: Combined cost for additional exemption for aged, retirement income credit, and exclusion of social security payments	2,300	2,700
Additional exemption for blind	10	10
"Sick pay" exclusion	85	95
Exclusion of unemployment insurance benefits	300	325
Exclusion of workmens' compensation benefits	150	180
Exclusion of public assistance benefits	50	50
Treatment of pension plans:		
Plans for employees	3,000	4,000
Plans for self-employed persons	60	135
Exclusion of other employee benefits:		
Premiums on group term life insurance	400	400
Deductibility of accident and death benefits	25	25
Privately financed supplementary unemployment benefits	25	15
Meals and lodging	150	165
Exclusion of interest on life insurance savings	900	1,000
Deductibility of charitable contributions (other than education)	2,200	3,000
Deductibility of child and dependent care expenses	25	25
Deductibility of casualty losses	70	80
Standard deduction	3,200	3,600
Total	12,950	15,905
Health:		
Deductibility of medical expenses	1,500	1,600
Exclusion of medical insurance premiums and medical care	1,100	1,400
Total	2,600	3,000
Education and manpower:		
Educational expense deduction		40
Additional personal exemption for students	500	500
Deductibility of contributions to educational institutions	170	200
Exclusion of scholarships and fellowships	50	60
Total	720	800
Veterans' benefits and services:		
Exclusion of certain benefits	550	600
Aid to State and local government:		
Exemption of interest on State and local debt	1,800	2,000
Deductibility of nonbusiness State and local taxes (other than on owner-occupied homes)	2,800	4,150
Total	4,600	6,150

expenditures. The present compilation is not intended to provide a full and complete accounting in a theoretical sense of all tax aids in the income tax structure. It is, in fact, a minimal selection of tax aids—minimal in the sense of including only acceptable and practical choices. Certain tax provisions are omitted because their inclusion would require controversial or highly theoretical justifications. Others are omitted because the underlying data is difficult to compile and present in understandable form or because the amounts involved are not quantitatively significant. In short, the choice of the tax aids listed is largely governed by the criteria of public acceptability and practicality.[1]

Exhibit 15.—Remarks by Assistant Secretary Weidenbaum, June 16, 1970, before the McGraw-Hill Conference on Industry and Environment, on economics and the environment

In any consideration of the environment and how to improve it, there seems to be a division of labor. Ecologists and other scientists are supposed to dramatically and vividly get across the notion that we have a severe pollution problem. Engineers and other more practical types are subsequently charged with coming up with ways of cleaning up the pollution and thus improving the quality of our environment. However, then the economists are expected to fill their unique role. We are supposed to get up and say why we cannot afford to do any of these desirable things.

I am going to try to depart from tradition today and not play the proverbial role of the wet blanket. Rather, my task is to attempt to show how we can—not necessarily that we will—but how, using sensible solutions, we can very much afford to clean up our environment.

First of all, some perspective is useful. The Federal Government currently is embarking upon a major increase in expenditures for reducing pollution and otherwise improving the quality of the American environment. From a level of $644 million last year, we anticipate that such outlays are running at the rate of $785 million this year and will reach $1.1 billion in the fiscal year 1971. This more than 50-percent expansion during a 2-year period is creating undoubtedly one of the major growth areas of the American economy. The 1971 figure represents a more than fivefold increase from a decade ago.

All indications point to a long-term continuation of the growth of Government spending in the area of the environment. However, candor requires me to point out that very heavy pressures on the Federal budget are likely to dampen down the growth rate of any Government spending program, no matter how worthy.

The Administration has announced revisions in the budget estimates for the fiscal years 1970 and 1971 which show small deficits rather than the small surpluses indicated earlier. The budget situation is likely to remain relatively tight for some time. Nevertheless, environmental planning is basically a long-term affair. Hence, I believe that it would be useful to focus on the period beyond the immediate shortrun.

As a starting point for any long-term economic and financial analysis, I find it useful to refer to the innovative 5-year projections that the Administration economists prepared and which were included in the President's budget for the fiscal year 1971. These projections show that, by the fiscal year 1975, Federal revenues from the existing tax system will increase by about $64 billion from the current level. Of course, these and the other figures that I will present are based on a set of economic assumptions. Although I will not go into them, I think that you will find that they are quite reasonable.

On the other side of the ledger, when we cost out the future impact of the existing program structure of the Federal Government, we estimate that expenditures for all Government programs in the fiscal year 1975 would be about $28 billion above the current level. The revenue growth of $64 billion, less the expenditure increase of $28 billion, would seem to provide a comfortable cushion of $36 billion for fiscal 1975.

I am afraid that, here, I am going to be, at least for awhile, the wet blanket. The Federal budget is not set in concrete; changes will continue to be made in it. For example, the 1971 budget itself contains new initiatives—such as welfare

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[1] For a detailed explanation of the tax aids in table B, see 1968 annual report, pages 330–337.

reform and revenue sharing—which are estimated to cost $16 billion in the fiscal year 1975. At this point, I, of course, do not know what new initiatives will be undertaken in the fiscal year 1972, or 1973, or 1974, or 1975. But there is something that I can say with considerable assurance, and that is that there will be new initiatives over these years.

Clearly, several more sets of $16 billion a year in new initiatives would more than use up that $36 billion margin in the fiscal year 1975.

Hence, even though there is some room for flexibility in the Federal budget, it is quite clear to me that the existing revenue structure, which is not a particularly low one, does not permit too great a variety of ambitious and costly new undertakings in the years ahead. One rather simple reaction to this type of analysis, of course, is to blithely come up with large new tax programs to cover new expenditure recommendations (which I take to be quite a different matter from raising revenues to meet expenditure commitments which already have been made). New taxes may seem to be an easy financing approach for the proponents of a new spending program. However, I have failed in recent years to notice any ground swell of public opinion in favor of raising taxes substantially above their current levels. Indeed, while I have come across numbers of people who think that the other fellow may be undertaxed, I do not recall many complaining to the Treasury that their own tax bills were too low.

Hence, I think that we need to be thinking of some hard answers to the hard question of how are we going to finance the necessary improvements in the quality of our environment. Here I would think that an economist has something to say. It may not be pleasant, but I hope that it is useful.

As I survey the various estimates of the growing future costs of cleaning up the pollution which has not yet been created, but which is likely to occur on the basis of present practices, the economist in me is greatly stirred.

In a sense, I am offended by the prospect of our having to devote an ever larger share of our national resources to cleaning up an even faster growing mountain of pollution. Rather, I am impressed by the desirability of all of us adopting methods of producing and consuming which are less polluting than our present practices.

The President was getting at this point in his environmental message of February 10, 1970. In discussing one particular aspect of the pollution problem, the disposal of solid waste, he said:

"One way to meet the problem of solid wastes is simply to surrender to it: to continue pouring more and more public money into collection and disposal of what happens to be privately produced and discarded."

However, President Nixon went on to state, "This is the old way; it amounts to a public subsidy of waste pollution." He pointed to a more constructive approach:

"If we are ever truly to gain control of the problem, our goal must be broader: to reduce the volume of wastes and the difficulty of their disposal, and to encourage their constructive reuse instead."

In that vein, as an economist, I find one general approach particularly appealing—to make the act of polluting more expensive to the polluter than not polluting, and sufficiently more expensive that he, she, or it will change their current ways of doing things.

Let us face it. Far too frequently, polluting is more profitable, or cheaper, or easier, than not polluting. The simple-minded solution that we hear far too often these days seems to be to tear down that capitalistic structure which is doing the polluting. To use the most scholarly and expressive language that I can marshal, that is pretty stupid. It is certainly hardly necessary for the purpose. For one thing, I am not aware of any highly advanced noncapitalistic society that has been able to avoid pollution on a large scale.

Here the economist, I think, does have a way out. The price system really does work to allocate resources efficiently, whether the society is capitalistic or socialistic. Hence, in order to make the price system work in the way that we want it—to discourage pollution—we need to attach some form of economic disincentive to the creation of pollution.

In a sense, the social cost of pollution now borne by society as a whole—whether in the form of smog or contaminated rivers—needs to be shifted back to the polluter himself. I do not mean this as a form of punishment but, rather, as a direct incentive to change to less polluting ways of doing things. This is a critical point. If instead we are going the eleemosynary route and have society

or the Treasury pick up the cost, we are not introducing any incentive to reduce pollution.

Again, I would like to quote a pertinent section from the President's landmark message on the environment:

"The fight against pollution * * * is not a search for villains. For the most part, the damage done to our environment has not been the work of evil men. * * * It results not so much from choices made, as from choices neglected; not from malign intention, but from failure to take into account the full consequences of our actions.

The next passage, again, is not taken from the works of an economist, although many of us might like to be able to claim the authorship, but from the President's message:

"Quite inadvertently, by ignoring environmental costs, we have given an economic advantage to the careless polluter over his more conscientious rival. While adopting laws prohibiting injury to persons or property, we have freely allowed injury to our shared surroundings."

The basic idea is that a product should be valued partly in terms of its burden on the environment. At present, much of the "cost" of pollution is borne by the public at large. To the extent that individuals, business firms, or other organizations whose actions contribute to pollution can be forced to absorb some of these hitherto "external costs," the market can be made to work against, rather than for, pollution. Thus, producers will have more incentive to "economize" on pollution, similar to their developing methods of reducing labor and materiel costs.

There are a number of alternative ways of promoting this general approach. For example, a tax could be levied upon the legal act of polluting. Alternatively, regulatory actions could be instituted either separately or perhaps in connection with a related tax payment. At the other end of the spectrum is legal action to make certain types of pollution unlawful. Enforcement could include perhaps levying fines, or taking more drastic action if the polluting continues to be performed.

I do not mean to beg the question as to what level of pollution control or reduction to aim for. I merely leave that most important determination to others. However, I sense that, of necessity, we will have to stop substantially short of any simple-minded notion of totally eliminating pollution. Let me cite a small, personal example. I find that my office generally is cleaned once a day. I am sure that it would be cleaner if that were done hourly; but the inconvenience that it would cause me, plus the added cost, would not be worth it. In a crude sense, I also find a parallel with the concern over obtaining the best possible education. There used to be a running debate between some professional educators, who favored "the best possible education," and those of us more mercenary types who advocate high quality education but would stop somewhat short of devoting 100 percent of the GNP to education. In the case of environmental pollution, as well as other potential objects of Government spending, we are going to have to consider determining where the costs begin to exceed the benefits and even where the margin of benefits over costs is less than that for other claims on our resources.

Getting back to taxes as an instrument for reducing pollution, I find an array of alternatives available. The tax might well be high enough to cover the cost of cleaning up the pollution. This would bring the social and private costs closer together.

One possible application is to the junk automobile, which we are "producing" in ever growing numbers. The rate of abandonment is increasing rapidly. Here in New York City, 2500 cars were towed away as abandoned on the streets a decade ago. In 1964, 25,000 were towed away as abandoned; in 1969 the figure was more than 50,000.

The way to provide the needed incentive is to apply to the automobile the principle that its price should include not only the cost of producing it, but also the cost of disposing of it. The Council on Environmental Quality is now studying methods such as the bounty payment (financed by a special tax on auto production) to promote the prompt scrapping of all junk autos.

In many other cases, however, the tax could be sufficiently high that it becomes a type of protective tariff. That is, it does not really bring in any substantial amount of revenue. But by encouraging less polluting methods, the tax reduces the need for Government expenditures to clean up the pollution. This latter approach, of course, is reinforced by the budget outlook analysis that I presented here

earlier. But even if that were not the case—even if the budget situation were in a happier one—I still would see great charm to a "birth control" approach to pollution, to the extent possible.

Even though I find this approach instinctively attractive, I doubt whether it will suffice. It is more likely to work on prospective new production and consumption facilities, which have not yet been built and paid for. However, it may be inappropriate or highly inequitable in the case of facilities which are already in existence and which were constructed in good faith under a different set of ground rules.

Hence, the case for some direct Government expenditures and/or substantial tax benefits, particularly during a long transition period, may be quite strong.

However, I doubt whether the tax and expenditure systems by themselves will suffice as devices for achieving the desired level of improvement in the quality of our physical environment. Despite our general distaste for governmental controls, pollution control appears to be one of the necessary exceptions.

In many areas, strict standards and strict enforcement will be necessary, not only to insure compliance but also in fairness to those who have voluntarily assumed the often costly burden while their competitors or neighbors have not. Without effective Government standards, industrial firms that spend the necessary money for pollution control may find themselves at a serious economic disadvantage as against their less conscientious competitors.

Similarly, without effective Federal standards, States and communities that require such controls may find themselves at a disadvantage in attracting industry, as against more permissive rivals. Air pollution, particularly, is no respecter of political boundaries. A community that sets and enforces strict standards may still find its air polluted from sources in another community or State.

To sum up, I do not believe that we will have available resources to clean up all of the pollution that could possibly be generated in the United States in the coming decade, much less in the period beyond that. The approach that is feasible and more economically desirable is to encourage business, government, and consumers alike to so change their ways of producing and consuming as to reduce the amount of pollution that is created in the first place.

As President Nixon stated in transmitting his message presenting a comprehensive program to reduce pollution, " * * * We at last will succeed in restoring the kind of environment we deserve."

Public Debt and Financial Management

Exhibit 16.—Statement by Secretary Kennedy May 25, 1970, before the House Ways and Means Committee, on the public debt limit

We greatly appreciate the prompt scheduling of these hearings on the debt limit in view of the need to complete action before the end of the fiscal year.

As you will recall, in the debt limit hearings a year ago we requested a new permanent statutory ceiling for the Federal debt on a basis which would be more consistent with the unified budget concept than the present definition. As I said on that occasion, the intent was to establish a ceiling which would meet the Federal Government's needs indefinitely so long as we were successful in maintaining a balance in the budget.

I am sure you are all aware of the announcement of May 19 that the unified budget for fiscal year 1970 is now estimated to be in deficit by approximately $1.8 billion, compared with the surplus of $1.5 billion estimated in February. And, similarly, the budget for fiscal year 1971, taking into account both our policies to restrain expenditures and our requests for an additional $3.1 billion of taxes, is expected to be in deficit by approximately $1.3 billion, compared with the February estimate of a surplus of $1.3 billion.

The Budget Director will comment in more detail on the expenditure outlook. I would emphasize, however, that the new estimates for outlays in both fiscal year 1970 and fiscal year 1971, if held with the help of the Congress, demonstrate the strength of our commitment to expenditure control. The projected spending increase of $7.4 billion from fiscal 1970 to fiscal 1971 amounts, for instance, to 3.7 percent, which would be the lowest percentage increase in a number of years.

Lower estimated revenues contribute to the small projected deficits in both fiscal year 1970 and 1971. Apart from the effects of proposed legislation, revenues have been reduced by $3 billion in the current year and $1.1 billion in fiscal 1971, in both cases largely reflecting lower estimates of corporate profit tax receipts. This slippage, in part at least, appears to reflect a lower than anticipated level of corporate profits during the first part of this calendar year. It does not reflect any relaxation of our continuing efforts to control inflation.

I might also emphasize that the changes in the estimates are relatively small. Therefore, if the Congress had adopted our recommendation of a year ago for a statutory debt limit consistent with the unified budget concept, it would probably not be necessary to reconsider the limit at this time. It is my continuing judgment, indeed, that the interest of both the Congress and the public would best be served if the debt subject to limit were brought more in accord with the unified budget concept. At the very least, then, changes in the debt subject to limit could be related more directly and more easily to the overall surplus or deficit in the unified budget.

In view of the very heavy legislative burden which rests upon this committee and upon the Congress at the present time, this may not be a timely occasion for pursuing a basic revision in the concept of the debt limit. I recognize, for example, that this committee has had to put aside temporarily the very important foreign trade hearings on which it had been focusing its attention to consider the question of the debt limit. I am, therefore, providing the committee with a table showing what will be required to permit an orderly financing of the Federal Government's requirements during fiscal year 1971 based upon the present definition of the debt subject to limit (see table I).

This table has been drawn on the assumption of a constant cash balance of $6.0 billion with a further allowance for contingencies of $3.0 billion. In the past, we have for these purposes usually assumed a cash balance of $4 billion. That figure has become increasingly unrealistic in view of the greater size of the Federal budget and unavoidable fluctuations in the balance from day-to-day and week-to-week. As shown in table II, our actual cash balance has averaged more than $5 billion in recent years, and has declined in relation to expenditures, to little more than 1 week's outpayments. We cannot practicably plan on reducing our balances further. To the contrary, prudent management of our

TABLE I.—*Estimated debt subject to limit, fiscal year 1971*

[In billions of dollars]

	Debt with 6.0 cash balance	With 3.0 margin for contingencies
1970		
June 30	369.0	372.0
July 15	375.6	378.6
31	375.4	378.4
Aug. 15	380.8	383.8
31	380.2	383.2
Sept. 15	385.5	388.5
30	376.7	379.7
Oct. 15	382.1	385.1
31	381.3	384.3
Nov. 15	384.9	387.9
30	384.2	387.2
Dec. 15	389.9	392.9
31	386.3	389.3
1971		
Jan. 15	389.3	392.3
31	382.6	385.6
Feb. 15	385.8	388.8
29	385.3	388.3
Mar. 15	390.3	393.3
31	387.7	390.7
Apr. 15	391.8	394.8
30	382.1	385.1
May 15	386.3	389.3
30	385.6	388.6
June 15	388.7	391.7
30	378.8	381.8

TABLE II.—*Relation of average cash balance to withdrawals from Treasurer's account by fiscal years*

[Dollar amounts in billions]

Fiscal year	Average operating balance (excluding gold)	Total withdrawals (DTS)	Percent
1962	$4.934	$112.188	4.4
1963	6.010	118.477	5.1
1964	5.664	124.066	4.6
1965	6.293	126.395	5.0
1966	5.086	142.190	3.6
1967	4.526	164.591	2.7
1968	5.145	184.581	2.8
1969	5.043	201.491	2.5

financial affairs may well require somewhat larger balances in the future. On particular days, to be sure, the cash balance can safely be reduced to lower levels in anticipation of heavy scheduled receipts. Nevertheless, sharp intramonthly swings are inevitable and require that, even during periods of the year when the debt is fluctuating about peak needs, we sometimes must carry balances well in excess of the average.

I feel certain you will agree that a $3 billion allowance for contingencies, which we retain unchanged from earlier presentations, provides a minimum degree of protection for unforeseen circumstances over a 12-month period ahead.

As you will see on table I, with the specified assumptions, the debt limit need between December and March will fluctuate generally between about $388 billion and $393 billion. However, the peak requirement reached just prior to mid-April will be above $395 billion.

The present temporary ceiling is $377 billion. On the basis of our current projections, we are requesting a new temporary ceiling of $395 billion, an increase of $18 billion.

If the present definition of debt subject to limit is continued, we see no pressing reason to ask for a change in the present permanent limit of $365 billion. However, it is now apparent that at the end of the fiscal year the outstanding debt will substantially exceed that limit. If the committee wishes to provide a permanent limit more appropriate to the projected debt at the end of fiscal 1971, that limit should also be raised by $18 billion to $383 billion.

I am sure that questions will be raised as to the need for an increase of the magnitude we are requesting when the unified budget is within $1.8 billion of balance in fiscal year 1970 and within $1.3 billion of balance in fiscal year 1971.

There are several elements which need to be taken into account.

First, a sizable portion of the increase reflects the need to restore a reasonable margin for contingencies and for adequate cash balances. To illustrate, this year our peak cash requirements developed on April 14. The actual debt subject to limit on that date was $375.9 billion, and our cash balance was only $2.4 billion. In other words, we were $1.9 billion below the desired margin for contingencies, and our cash balance was $3.6 billion below the assumed requirement of $6 billion. An increase in the debt limit of $5.5 billion is therefore required simply to provide the assumed operating margins.

Second, the debt ceiling must be increased sufficiently to cover the anticipated investment of trust funds and other Government accounts in Treasury debt. This is estimated to amount to slightly over $6 billion from mid-April 1970 to mid-April 1971, when our debt will again reach a seasonal peak.

Third, the deficit in the unified budget, requiring a comparable increase in debt outside of Government accounts, will be considerably greater—approaching $7 billion—from the April peak to the April peak than for either fiscal 1970 or fiscal 1971. This primarily reflects (1) the bunching of retroactive pay in the current quarter; (2) the timing of the anticipated revenues from the proposed speedup in estate and gift taxes, which are not expected to be large until the last quarter of fiscal 1971, after the peak in the debt has passed; (3) the current short fall in corporate profit tax collections; (4) current peak interest

rate levels, which are expected to subside before the end of fiscal 1971; and (5) the anticipated declining trend of military expenditures.

Taken together these factors require the ceiling be increased by early April 1971 by some $18 billion over the present ceiling if we are to maintain the full assumed margin for contingencies and the cash balance. I would emphasize this calculation bears little relationship to our borrowings from the general public, which on present estimates should increase little, if at all, over the year as a whole.

You will recognize that, today as always in the past, our receipt and expenditure estimates are subject to some uncertainty. While the estimating task is no more uncertain today than at times in the past, I would like to recall to the Committee that the conventional assumptions of a constant $4 billion cash balance and a $3 billion reserve for contingencies were established many years ago at a time when Federal expenditures and receipts were far below present levels. They are less than adequate if we are to assure the prudent management of the Government's finances. Thus, I would reemphasize the desirability that the temporary limit not be reduced below the $395 billion figure which we are requesting.

I would also like to raise with the committee for its consideration an additional and broader question, which will continue to be of concern whether the debt limit concept is altered as we have recommended or whether the conventional concept is continued for another year.

The debt limit has been used—or at least an attempt has been made to use the debt limit—as a means for controlling Federal expenditures. My predecessors have unanimously agreed that the debt limit is neither an appropriate nor an effective instrument for this purpose, and I concur in their view. I believe, however, that it is of utmost importance that both the executive branch and the Congress pay heed to the total of Federal expenditures. Fiscal discipline is essential if we are to have a responsible fiscal policy. There is no perfect solution to this difficult problem, but we must continue to search for better answers.

Exhibit 17.—Statement by Secretary Kennedy, June 18, 1970, before the Senate Finance Committee, on the public debt limit

You have before you H.R. 17802, which was passed by the House of Representatives on June 3, and which would provide a new permanent debt ceiling of $380 billion and a new temporary debt ceiling of $395 billion through June 30, 1971.

We appreciate the promptness with which the committee has scheduled the hearings on this bill.

It is essential that the Congress give final approval to an increase in the debt limit by June 30 when the present temporary limit of $377 billion expires and the limit reverts to the permanent ceiling of $365 billion. Our projections indicate that on June 30 the debt subject to limit, assuming a realistic cash balance, is likely to be in the vicinity of $370 billion, which is in excess of the present permanent limit. Consequently, if a new limit has not been approved, the Treasury Department will be unable to refund any maturing debt or to issue any new debt. I need not dwell on the extraordinarily serious consequences of such a situation. The chaos that would be created would cause severe additional strains on the Nation's already strained financial markets. Public confidence in the ability of the Government to manage its affairs rationally would be seriously undermined.

I would like to begin by explaining why we are asking for an increase of $18 billion in the temporary debt ceiling, from $377 billion currently, to $395 billion for fiscal year 1971. In estimating our needs, we have in the past assumed a constant cash balance of $4 billion, with a further allowance for contingencies of $3 billion. But the conventional assumption of only $4 billion for operating cash needs has become increasingly unrealistic, in view of the greater size of the Federal budget and unavoidable fluctuations in the balance from day-to-day and week-to-week.

As shown in table II,[1] our actual cash balance has averaged more than $5 billion in recent years, and has declined in relation to expenditures to little

[1] See table II, exhibit 16.

more than one week's outpayments. We cannot practicably plan on reducing our balances further. To the contrary, prudent management of our financial affairs may well require somewhat larger balances in the future.

On particular days, to be sure, the cash balance can safely be reduced to lower levels in anticipation of heavy scheduled receipts. Nevertheless, sharp intramonthly swings are inevitable and require that, even during periods of the year when the debt is fluctuating about its peak, we sometimes must carry balances well in excess of the average.

I feel certain you will agree that a $3 billion allowance for contingencies, which we retain unchanged from earlier presentations, provides a minimum degree of protection for unforeseen circumstances over a 12 month period ahead.

With these working assumptions, I think that the arithmetic of the needed increase in the debt limit is most clearly seen by starting with our position on April 14 of this year. That was the date on which the debt subject to limit was close to its peak, and we expect a similar peak at about the same time next year. Now on April 14, the debt subject to limit was $375.9 billion, only about $1 billion short of the present ceiling. (On March 30, we came within $100 million of the ceiling). But our operating balance was down to $2.4 billion, and we were only $1.1 billion away from the ceiling instead of the $3 billion allowance for contingencies that is needed. In other words, just to restore the leeway necessary for prudent operations, the debt limit would have to be raised by $5.5 billion (i.e., $3.6 billion to provide an operating balance of $6 billion, and $1.9 billion to restore the $3 billion allowance for contingencies).

To this $5.5 billion one must add the anticipated deficit in the Government's own operations during this period April 1970–April 1971—the so-called Federal funds deficit. As you know, we expect the Federal funds deficit for the entire fiscal year 1971 to amount to $10 billion, compared with $11 billion this year. But the deficit during the 12 months between peak debts—April to April—is expected to be larger than for either fiscal year. Our current estimate is about $13.2 billion.

There are a number of factors that contribute to the concentration of the deficit during this particular 12 months. For one thing, the payment of retroactive Government wage increases in the current quarter is a nonrecurring outlay. In addition, with an approximate $6 billion decline in defense expenditures from fiscal year 1970 to fiscal year 1971, it is anticipated that second half defense expenditures will be lower than during the first half. The anticipated revenue from the proposed speedup of estate and gift taxes is not expected until the last quarter of fiscal 1971. Interest expenditures are expected to be relatively heavier in the first half of the fiscal year than in the second half when lower interest rates are anticipated.

Adding the $13 billion of Federal funds deficit to the $5.5 billion needed to restore working leeway, one comes to a figure just over the $18 billion we requested, a figure approved by the House.

You will see from table I[1] that the debt limit need between December and March will fluctuate generally between $388 and $393 billion. The peak requirement will be reached just prior to mid-April, and that peak will be slightly above $395 billion.

We believe that a temporary limit of $395 billion will be adequate to carry us through fiscal 1971. Budget Director Mayo can comment in detail on the outlook for expenditures, and the basis for our belief that these expenditures, with the help of Congress, can be held to projected levels.

On the receipts side, we are counting on an additional $3.8 billion of taxes in fiscal 1971 which will require legislation. These include the proposed taxes on lead used in gasoline and the speedup in the estate and gift tax collections. We are anticipating that the Congress will act favorably on both of these proposals as well as on the other tax proposals which it has before it, including extension of excise taxes on automobiles and telephone services through December 1971. The House has already approved an increase in the wage base for social security to $9,000, as was recommended in the budget, and this committee now has this proposal before it.

If Congress fails to act in a timely way on these proposals, a substantial part of the revenue loss will not occur until after the peak in the debt subject to limit has been passed. Consequently, short falls from these sources would not

[1] See table I, exhibit 16.

397-702 O—71——22

necessarily use up the entire allowance for contingencies although they would, of course, narrow the margin of safety.

In our eyes, a more serious question is raised by the estimate by the staff of the Joint Committee on Internal Revenue Taxation that fiscal 1971 receipts would be $3 billion below our estimates.

We have carefully reviewed the differences between our estimates and the estimates of the Joint Committee and it appears that, except for minor amounts, the entire difference lies in somewhat more pessimistic economic estimates by the Joint Committee staff.

We believe that there is no strong reason to alter our economic projections at this time. But we recognize the difficulties of making precise forecasts for a year ahead in the present state of the economy and, consequently, we realize that our revenue estimates could turn out to be on the high side. This simply emphasizes the need for an adequate contingency allowance.

In order that there be no misapprehension about the Treasury's need for new funds during the coming year, let me stress that Treasury net borrowing from the public for the year as a whole will be only a small fraction of the $18 billion increase in the temporary ceiling that we seek. As I indicated earlier, we anticipate a deficit in the Federal funds accounts for fiscal 1971 of approximately $10 billion. But the trust funds are expected to be in surplus by about $8.8 billion during the same period. This trust fund surplus will be invested in Government securities, as in the past, leaving only about $1.3 billion to be financed by the general public.

One final word. The House Ways and Means Committee considered it desirable to raise the permanent debt ceiling as well as the temporary ceiling. They proposed a permanent ceiling of $380 billion, $15 billion above the present ceiling of $365 billion. This will give us somewhat less room than the related increase in the temporary ceiling, because it does not allow fully for contingencies. But it is a ceiling that I believe we can live with.

I urge the committee and the Senate to act promptly on H.R. 17802. Prompt action will assure the ability of the Federal Government to finance its requirements in a responsible way and will help in restoring and maintaining much needed confidence to financial markets and the financial community generally.

Exhibit 18.—Statement by Under Secretary for Monetary Affairs Volcker, March 17, 1970, before the Annual Meeting of the American Paper Institute, New York, New York, on financing domestic growth

As my contribution to this morning's panel, I want to consider the financial dimensions of living with prosperity. My main focus will be the problem of financing sustained domestic growth. But I also want to touch briefly on our external financial relationships, because the progress of our economy—and that of trading partners—is closely tied to the health of the dollar internationally.

Certainly the paper industry—highly capital intensive and international minded—has been affected by the financial strains of recent years. Domestically, with investment spending doubling in the past decade, the historic highs in interest rates have created a heavy burden. Internationally, you have not been exempt from the competitive pressures implicit in rising U.S. costs or prices—nor can you, as major international investors, look with equanimity on the fact that the United States in recent years has had to maintain restraints on foreign investment out of concern for international financial stability.

Even so, your industry has been able to cope with the domestic financial pressures better than other sectors of the economy—especially the hard-pressed homebuilder and home buyer. I was also delighted to see that you achieved a considerable rise in exports during the 1960's and are holding your imports relatively steady. But, over the same period, the nation as a whole has experienced a substantial decline in our traditional trade surplus.

It seems to me plain that the financial strains and imbalances of recent years are incompatible with the sustained prosperity of the U.S. economy. Therefore, we must understand the causes and deal with them effectively.

The first, and most fundamental, point that I would make is that the financial turbulence of recent years has been mainly an outgrowth of the inflationary process. From 1965 through most of last year, spending pressures—public or private—tended to outrun our capacity to generate both production and savings.

The financial counterpart has been more demand for credit than could be satisfied. As expectations of inflation and high rates became more firmly imbedded with the passage of time, the financial strains were further aggravated by a tendency to "borrow now and pay later."

The link between an overheated economy and financial strains may seem so self-evident that it does not bear repeating. But, from my particular vantage point, I cannot help but be impressed by the number of proposals that would purport to deal with the latter without affecting the former—and which, indeed, in many cases, would only add to the pressures.

The problem can be aptly illustrated in the case of mortgage financing, which normally accounts for about one-fifth of net credit extensions. In an aggressive and useful effort to moderate the developing squeeze on that market, Federal agencies and Government-sponsored institutions provided some $8.4 billion to the residential mortgage market last year. By the final quarter, they had stepped up their activities to the point that they financed three-fifths of the entire growth in residential mortgages. Nevertheless, the vast extension of federally sponsored credit could do no more than cushion the pressures. With an excess demand for total credit, private and public borrowers in a stronger competitive position drew funds from potential mortgage lenders even faster than the Federal activities speeded up. Indeed, the financing of the federally sponsored credit extension was one important source of the pressure on private mortgage-buying institutions.

Nor could an answer be found in an effort to increase the supply of credit by creating new money—a process that, in the circumstances could only have added another twist to the spiral of inflation and, thus, to interest rates. In other words, in a situation where there is already an excessive demand for credit, relief for one sector can only effectively be achieved by squeezing it out of another. Unless one is prepared to consider controls as a way of life—and I do not and doubt their effectiveness—the only realistic alternative is to deal with the overheating in the economy itself.

The Administration, in inheriting an inflationary situation with strong momentum, took this course. The job turned out to be even harder than we contemplated a year ago. But the fact is that the reins were held tight in the face of the ever-present temptations to yield—to cut taxes sooner than would have been prudent, to give way to pressures to spend more for admittedly worthy causes, or to create more money in an effort to dampen the massive pressures in the credit markets and reduce financing costs.

We are now seeing the first fruits of this decision. Excess demand has been squeezed out. The inflationary psychology does seem to be waning—even though the momentum of rising prices is still strong. And tensions in the credit markets have begun to relax.

I do not underestimate the difficulties that lie ahead. The pressures on prices and costs will die down only over a period of time. Employers and employees alike will be testing their bargaining strength in an atmosphere in which price increases jeopardize markets and profits are vulnerable to a cost squeeze. No one has found the way to make that difficult process either instantaneous or painless. But it does work—and a combination of reduced price expectations and restored productivity growth could ease the way toward a more stable price level.

Clearly, we must be responsibly alert to the risks implicit in any important change in the economic environment—that psychology and cumulating forces may carry the swing too far; or that, in overreacting to a temporary showdown, we might underwrite a new unsustainable burst of demand pressures. But, recognizing the risks on either side, I believe we are on a course that promises a more settled atmosphere in financial markets and is fully consistent with a strategy for maintaining a better balance in the future.

There has already been some drop in interest rates from the historic peaks around the turn of the year. The decline has been 1 percent or more in money market instruments, almost 1 percent on medium term Treasury securities and nearly as much for municipal bonds, and perhaps ½ percent for new corporate issues. There is also some evidence that banks and savings institutions, after a rough winter, are beginning to see steadier deposit flows.

Certainly interest rates, by any historical standard, are still very high and financial markets remain unbalanced. Some time will have to pass before our financial institutions can plan ahead with full confidence. The heavy volume of corporate and municipal market financing in the wings is warning enough that,

after 5 years of heavy pressure, a return to rate levels once considered normal will be a long and difficult process. Nevertheless, the significant changes in the economy are laying the groundwork for a restoration of a better balance in the financial markets.

This has some direct implications for the mortgage market. I believe that this country can develop the capacity to finance its housing needs and desires over the longer run—if the economy as a whole is not under excessive strain. But the mortgage market, historically, is slow to react to an easing of tensions. The immediate challenge is to speed the process by a vital 6 months to 9 months.

This is one object of the array of special measures adopted or proposed by the Administration in recent weeks. These include maintenance of a high level of activity by FNMA and the home loan banks, reinforced in the latter instance by the provision of subsidy funds sufficient to induce member savings institutions to employ more funds in the mortgage market. These activities will be supplemented by a secondary market for conventional mortgages on the model of the successful FNMA facility.

Meanwhile, we in the Treasury have had discussions with several key investor groups—including pension funds, life insurance companies, and commercial banks—to elicit their voluntary cooperation in financing residential construction. This process will be facilitated by making so-called mortgage-backed bonds—fully guaranteed bonds issued against a pool of mortgages—available in some volume in coming months. In this way, a simple marketable investment instrument will be provided for those investors who find a mortgage an awkward vehicle for employing their funds.

The key objective is to make mortgage commitments more readily available for the spring and summer building starts, so we are facing real time pressure. We are definitely encouraged in this objective by the early response of some key lending groups. But we are under no illusions. This voluntary effort, and, indeed, the other measures to help the mortgage market, cannot be fully effective unless they are accompanied by a better balance in the overall supplies and demands for credit.

This underscores the central importance of maintaining steady progress on the inflation front and of policies that will foster and thus maintain a better balance in the financial markets as a whole.

Our basic strategy is rooted in the premise that, for as far ahead as one can hope to see, demands for our real and financial resources will remain very heavy. This premise is documented quantitatively in the longer term projections presented in the President's budget and the Economic Report.

Those projections bear out what I believe most of us instinctively feel: both our future budget revenues and our economic growth are already heavily committed if we are to repair urban decay, move toward our long-run housing goals, clean up the environment, improve education, and recognize our responsibilities for foreign assistance—and, at the same time, provide the wherewithal to support the growth and modernization of our industry and meet the insistent demands of the American consumer.

In the short run, this array of potential demands lies behind our confidence that the necessary present period of business adjustment will not give rise to cumulative downward forces. Looking beyond this year, these same demands emphasize the insistent need to establish priorities in moving toward our goals. Indeed, the only real choice is whether we will establish these priorities with care and intelligence, or whether, in an effort to do too much, our choices will emerge as the haphazard result of stresses and dislocations of an overstrained economy and financial markets.

I would emphasize five key elements in our approach to maintain mastery of this problem:

(1) Budgetary control—a matter that Maury Mann has already described in detail.

(2) A rejection of the cynical philosophy that a balanced budget is a rare and fleeting phenomenon. Indeed, our recent problems can be traced in large part to a series of inappropriate deficits after the mid-1960's, culminating in the $25 billion debacle of fiscal 1968. Present planning, in contrast, envisages 3 consecutive years of surplus—small, to be sure, but to be achieved consistent with some reduction of the tax burden. The direct implication is that the Treasury will not be absorbing funds from the credit markets in competition with other borrowers.

A deficit in response to a temporary and unexpected period of slack in the

economy need not be disturbing—it would represent a normal and useful stabilizer. But, if we are right in our basic assessment of underlying trends, a balance or surplus should become the norm.

(3) We also need to recognize that a surplus or deficit in the budget does not tell the full story of Federal finance. In one form or another, the Federal Government in recent years has increasingly used its own credit as a means of supporting the activities of other sectors. While these activities do absorb funds from the market, they are not, for the most part, reflected in the budget totals. Indeed, sponsors of some of these programs may entertain the hope of escaping full budget scrutiny or look upon the Government's credit as virtually a free good and the supply of credit as inexhaustible. More basically, these programs are a valid reflection of the basic fact to which I have already referred—our enormous needs for social investment.

The figures are startling. In fiscal 1969, the federally-assisted borrowing from the public totaled some $12½ billion. During the current fiscal year, the total is expected to reach over $15 billion. In fiscal 1971, the aggregate is projected at over $20 billion—equivalent to probably a fifth of net credit availabilities in the economy as a whole. Plainly, these demands, overshadowing the requirements of direct Treasury finance, present serious new problems of coordination, control, and efficient financial management. President Nixon's first budget broke new ground by spot-lighting the totals in the main budget table. This was supplemented by a detailed special analysis later in the budget document. As this suggests, we recognize the need for closer appraisal of priorities in this area, as well as within the budget proper.

(4) So far as monetary and debt management policies are concerned, I would emphasize one point of longer-term significance. We are, today, much more conscious of the inevitable lags between policy action and economic impact. These long and uncertain lags are, of course, one of the reasons why the shaping of financial policy is, at any given time, so difficult. But, on balance, I would expect that a certain even-handedness in monetary and in related debt management policies could help avoid disturbing gyrations in financial markets.

(5) Finally, I would call your attention to the fact that the President plans shortly to appoint a commission to study our financial structure and recommend needed changes in the light of experience. It would be wrong, in my judgment, to conclude that the strains like those of last year are primarily a reflection of faults in the institutional structure. But it would be blind to fail to examine closely the problems and potential weaknesses in the institutional structure exposed by the recent turbulence or neglect to prepare the way for fresh innovations to meet the needs of the 1970's. The existing hodgepodge of interest rate ceilings is one area crying out for rational review, but it is certainly not the only one.

It is not possible for me to talk about appropriate financial policies without also considering their international repercussions. Indeed, the size of the United States—our enormous weight as a trading and investing nation—and the key role of the dollar—make it essential that we view our policies in that broader perspective. Certainly the strains on our domestic markets in the past year have exerted a far reaching, and not always welcome, influence abroad, as our banks and international corporations combed the world for funds.

This search for financing wherever it could be found, has been an important factor in maintaining the strength of the dollar in the exchange markets. That strength has been reflected in a surplus of some $4½ billion in our balance of payments on the official settlements basis over the past 2 years. Foreign official dollar holdings have declined significantly, and our own reserve assets have substantially increased.

We must recognize these developments for what they are—in good part the fortuitous result of extremely tight money. They must not be permitted to obscure a deeper problem—the unsatisfactory state of our underlying international payments position.

No single figure can adequately summarize the complexities of our balance of payments. Certainly the $7 billion liquidity deficit recorded last year—distorted by short term capital flows and special transactions—overstated the problem. But there can be no question but that the erosion in our trade position by years of inflation and overheating needs our serious attention.

In both of the past 2 years, our trade balance stood well below $1 billion, and our current account surplus entirely disappeared. The implication is plain enough.

Without a sizable surplus on these accounts, we are unable to provide to the rest of the world the real goods and services that must be the counterpart of our legitimate desire to provide aid and to export capital.

With tensions easing in our domestic markets, the large-scale importation of short-term capital that has characterized the recent past is unlikely to be sustained. In fact, banks have already cut their own borrowings in the Euro-dollar market considerably in recent weeks. It should not be surprising if, as part of the process of a return to better balance in domestic markets, there is some reflow of dollars into officials hands abroad and a deficit in our official settlements accounts.

That prospect should not, in itself, be disturbing, following a period of surplus. I believe our international monetary arrangements—greatly strengthened in recent years—can absorb and accommodate large recurrent swings in payments positions. What does seem to me essential is that we use this period to begin rebuilding our trade and current account position and justify confidence in the dollar as a secure store of value. If we do not fulfill that responsibility, I know of no purely financial devices that offer assurance of continued international financial stability, any more than an overheated domestic economy is consistent with balanced flows of internal finance.

The present period of adjustment is laying the essential groundwork for the long term effort that will be required. As we reap the benefits, we will be able to maintain our natural position as a capital exporter in a manner fully consistent with a strong international financial position. It is also that process that will permit us to move toward our objective of dismantling the remaining restraints on capital transactions.

So my basic point today is clear enough, whether viewed from a domestic or international vantage point. Calmer and balanced financial arrangements rest, in the end, on a more basic balance in our economic affairs. It is precisely the objective of our present policies to achieve that result.

Exhibit 19.—Statement by Deputy Under Secretary for Monetary Affairs MacLaury, October 4, 1969, before the 16th Annual Bankers Forum, Georgetown University, Washington, on Federal credit programs in the 1970's

Among the many imponderables for "Banking in the 1970's" is the role of the Federal Government as a supplier of credit in the coming decade. The general public, if they think of the capital market operations of the Government at all, normally think of us not as suppliers of credit, but as massive borrowers, piling up ever increasing amounts of national debt. There are, of course, years such as fiscal 1968, when this characterization is less of a caricature than we might wish. But there are also years, such as that just behind us, when the Federal Government retired debt on balance. In all these years, however, be they deficit or surplus, the Federal Government is involved in a great variety of ways in channeling credit to various sectors of the economy.

The role of Federal credit programs does not appear very impressive from a quick glance at the recently completed summer review of the 1970 budget. This shows Federal net lending of only \$1.0 billion in the current fiscal year 1970, compared with \$1.5 billion in fiscal 1969 and \$6.0 billion in 1968. But this apparent decline in Federal lending is a misleading indicator of Federal involvement in the credit markets, as many of you know.

There are basically two factors that account for this statistical mirage. First is the shift that has taken place from direct loans to guarantees, about which I shall say more in a minute. Even more important during this 3-year period, however, was the removal from the budget accounts of three federally sponsored lending agencies: the Federal National Mortgage Association, the Federal intermediate credit banks, and the banks for cooperatives. When the Government held stock in these agencies was retired in 1968, they became private corporations. In keeping with the new unified budget concepts, therefore, the loans made by these agencies are no longer counted as Federal budget outlays.

There are two other similar agencies, the Federal land banks and the Federal home loan banks, which became privately owned many years ago. Yet these five federally sponsored agencies, which issue their own securities to private investors and are well established in the market, though expanding rapidly in the aggregate, have accounted for less than one-fourth of the total increase in Federal credit program growth over the past decade.

The bulk of the growth in Federal credit programs during this longer period has been in the form of Government guarantees on credits funded by the private sector. Ten years ago, these guarantees were largely the familiar FHA and VA guarantee on one family–four family housing loans. The funds generally were provided by banks and other institutional lenders and involved little or no cost to the Government. In effect, the Government took a page out of the banker's book, satisfying customer credit needs at little cost through creation of "acceptances."

The growth of the regular FHA–VA programs is now surpassed, however, by a number of other programs of loan guarantees by the Farmers Home Administration, the Export-Import Bank, the Office of Education, the Small Business Administration, the Housing Assistance Administration, the Renewal Assistance Administration, and most recently the new FHA programs of guarantees of low interest loans for low income housing.

After making necessary adjustments to avoid double counting of such items as FNMA purchases of FHA insured loans, the net increase in loans outstanding under all Federal direct, guaranteed, insured, and sponsored loan programs in the fiscal year 1960, was $4.6 billion. In fiscal 1965 the comparable figure had jumped to $9.7 billion; and in fiscal 1970, while I do not have an up-to-date estimate, the figure implied in the January budget was $22.4 billion. The total amount outstanding under all the various loan programs was slightly under $100 billion in 1960, and is expected to pass the $200 billion mark in 1970.

The relevant question to ask now is, where do we go from here—what lies ahead for Federal credit programs in the 1970's. I can't pretend to give a fully satisfactory answer, but I think it is nevertheless worthwhile looking a little more closely at how we got where we are today.

The basic rationale for Federal involvement in the lending process is to fill gaps in the provision of credit through private institutions and credit markets, or to provide assistance for public purposes on terms that would not be available even in the absence of market imperfections. While one could choose among numerous examples, it is the housing sector that commands most attention at the moment because of its special vulnerability during periods of tight credit. You gentlemen are as aware as I am of the special problems that beset mortgage lending in times of inflation—the drying up of flows into mortgages through normal institutional channels. Under such circumstances it seems perfectly appropriate for federally sponsored agencies such as FNMA and the FHLB's to make every effort to take up some of the slack, even though their borrowing may place substantial additional strains on the bond market. It is for this reason that the Treasury has raised no objection to the record levels at which the housing agencies have been coming to market in recent months.

At the same time, no one looks to this type of emergency financing as an adequate answer to the longer term question of how best to provide credit to meet general housing needs. Indeed, I think there is widespread agreement that not financing innovations, though these may help, but only an end to inflation itself, and its accompanying credit stringency, will reopen the more normal channels of housing finance.

Rather, it is in the areas of subsidized housing, small business, student loans, export credit, urban redevelopment, public housing, and rural development that one may question whether the methods of providing Federal credit assistance have been as effectively conceived as they might be. Indeed, there has been an interesting change in the pattern of financing of Federal credit programs in recent years. I have already noted the shift from direct loans to guaranteed loans as a major trend of the 1960's. Superimposed on this shift has been a growing tendency to rely on the securities markets through such programs as asset sales, with lesser reliance, at least in a relative sense, on institutional lenders.

Direct loans have not been adequate to carry out growing program requirements largely because of the pressures to keep Federal budget outlays in check. The shift to financing these programs through the private sector on the basis of guaranteed and insured loans was adequate so long as private lenders were willing to participate in these programs and provide credit on terms the Congress determined as appropriate. In cases where subsidized interest rates were required on guaranteed loans, Federal program agencies have made direct interest supplement payments to private lenders. In many cases, however, private lenders are unwilling or unable to extend the longer term credits required to properly finance these programs. Thus more and more of these programs are now being designed

so that they can be financed directly with pension funds and other investors in the bond market.

In the housing area, as I've already indicated, the Federal guarantee of mortgage loans has not been sufficient to assure an adequate flow of funds, and we have come to rely to a great extent on FNMA purchases of these insured loans, thus financing of them in the bond market. Similarly, the new program of GNMA guarantees of mortgage-backed securities is designed to attract investor funds which would not normally be channeled into the mortgage market.

In the small business area, a Federal direct loan program was established in 1953 and was supplemented by the Small Business Investment Company program in 1958. Efforts are now being made to establish some sort of small business capital bank to raise funds directly in the bond market for small business investment companies who, in turn, would provide the necessary long term credit to the small businesses.

A similar trend is evident in the REA electric and telephone loan programs. Federal direct loans have not been available in sufficient amounts to meet the demands, partly because even supporters of these programs found it difficult to justify credits at 2 percent in today's market when the Government itself is paying 8 percent. It is questionable whether banks are the appropriate source of funds, even if they were willing, to make these long term loans even with a Federal guarantee. Thus a private REA electric bank is being established to raise funds directly in the market, and a number of proposals have been made to establish a REA telephone bank as well.

We have heard much this year about the problems in the student loan area. Student loans were first established as Federal direct loans in the National Defense Education Act of 1958, but the available funds in the budget were not adequate to meet the demand. Thus a guaranteed student loan program was established in 1965, which went a long way toward meeting the demands until this year when the ceiling of 7 percent on the interest rate to be paid by the student threatened to shut the program down. This problem hopefully is being resolved by the Administration's proposal for direct Federal payment of additional interest up to 3 percent to encourage lenders to make these loans.

But the interest rate is only part of the problem, since banks are necessarily concerned with their liquidity position and are reluctant to take on too many of these long term credits. Thus plans are being devised in many States to provide a secondary market for student loans made by banks; in some cases these plans involve tax-exempt bond financing of these loans, which would add to the overall pressures on the municipal bond market. There are also proposals to establish a federally-sponsored secondary market facility for student loans, which has been dubbed by some as "Sallie Mae," to join the family of Fannie Mae and Ginnie Mae. I am sure you have heard of other similar proposals to finance Federal credit assistance programs in the bond market.

The problem is perhaps especially acute in the area of federally assisted programs financed through municipal borrowing. Apart from temporary problems, such as the failure last month of the public housing and urban renewal bond and note issues, due to local interest rate ceilings, these guarantee programs are expanding rapidly and taking an increasing share of the limited supply of funds available to the municipal market. In addition to such well-established programs as public housing and urban renewal, one can anticipate growing new demands from proposed programs in the area of water pollution and mass transit. This potential crowding out of general purpose financing by local governments has prompted suggestions to shift the financing of these Federally assisted programs to the taxable bond market, thus relieving market pressures for other municipal borrowing and reducing the interest costs of all States and localities.

Another approach to private financing of Federal credit programs has been by converting direct loans to guaranteed loans through the sale of loan assets such as Farmers Home Administration notes, CCC certificates of interest, Export-Import Bank certificates of beneficial interest, and individual loan sales by SBA, VA, HUD, and other Federal agencies. An effort was made to coordinate such asset sales programs in the enactment of the Participation Sales Act of 1966, which permitted FNMA to pool direct loans made by several other Federal agencies and sell guaranteed certificates of participation in these pools to private investors, thus reducing the cost of financing the asset sales programs. Although this program got off to a bad start for a variety of reasons, not the least of which was its inauguration on the eve of the credit crunch in 1966, there was probably

much to be said for it as a technique of governmental financial management. But since such sales were counted in the Federal budget as asset sales or negative expenditures, and thus reduced overall budget outlays by a similar amount, there was justifiable criticism of the program on grounds of budget gimmickry. As a result, in 1968 the President adopted the recommendation by the Commission on Budget Concepts that participation certificates be treated in the budget as a means of financing in the same manner as Treasury's own issues. Since direct Treasury issues are even less costly than PC's as a means of financing Government programs, there was no incentive to continue the PC program, and the Government stopped selling participation certificates in 1968. It is interesting to note, however, that in this case the banks seem to have taken a leaf out of our book, since a number of banks used the PC technique extensively in 1969 as a means of financing their own loan portfolios.

There is no doubt in my mind that there will continue to be an important role for the Federal Government in facilitating credit flows to particular sectors of the economy. I say this in full recognition that in the future, as in the past, the basic job of providing the credit needs of this country must and should rest with private financial institutions such as your own, and the credit markets in which you operate, if we expect to harness most effectively our financial capabilities to our physical needs. But even in those areas where the Federal Government has a role to play, I think we need to rationalize the processes by which we arrive at our decisions on the amounts, terms, and allocations of Federal credit assistance.

In the first place, there needs to be wider recognition within the Government that a dollar of credit can be as scarce a resource as a dollar of budget expenditure. The trend from direct loans within the budget to guaranteed loans outside the budget is testimony, I'm afraid, that all too often the route of the guaranteed loan has seemed to provide the simple solution to pressing ahead with desired programs "at no cost" in terms of the budget. The fact that there is a limit to the capacity of the capital markets, in the broadest sense, to absorb increasing demands placed upon them by federally sponsored credit programs is a thought that is brought home only in times of stress such as the present, when FNMA notes sell for 8¾ percent. The addition of a Government guarantee to a piece of paper is not the open sesame to easy credit that it may at times seem.

Lest I be misunderstood, let me hasten to say that there are good and sufficient reasons for transferring a number of Federal credit programs out of the budget and to the private sector. It would certainly be inconsistent to argue the principle that the private credit markets should be relied on to as large an extent as possible, and at the same time bend every effort to keep such programs on a direct loan basis within the Government. Indeed, one of the toughest assignments in this whole area is to come up with a set of consistent criteria to serve as guides in the administration of Federal credit assistance—unfortunately, borderline cases seem to be more the rule than the exception.

The conclusion to be drawn, rather, is that some means must be found for monitoring the total demands of federally assisted credit programs on the capital markets. The numbers I cited to you earlier, while available to the public, are known only to a relatively small handful of specialists who concern themselves with these matters. A way must be found, it seems to me, to focus public attention much more strongly than in the past on the growth of these Federal credit programs. As a practical matter, it does not seem realistic to expect, nor indeed would it necessarily be desirable, to reinsert all forms of Federal credit assistance into the calculations that end up as a single figure of a deficit or surplus in the Federal accounts. But there is reason to summarize in a prominent way in the budget tables the overall demands on the credit markets implied by the growth of Federal credit programs.

Not only would such a consolidation help to focus attention on the total of these credit demands, but it would also serve as a means for bringing together in a single place the varying terms on which various Federal credit programs are operated. In a number of these programs, as you know, there is a substantial element of Federal subsidy involved. Yet it takes an expert to ferret out from the scattered evidence in the present Federal accounts exactly what this element of subsidy may be.

Finally, I should mention that there has long been felt within the Treasury a need for rationalizing the means of financing various Federal credit programs. The participation certificate was an earlier attempt to provide this rationaliza-

tion, and I have mentioned some of the reasons for its failure. But with the prospect of continuing substantial growth in potential demands on credit markets to finance federally sponsored programs—and the growing evidence that separate federally-sponsored financial institutions are being designed to provide that financing—it seems to me that it is not too soon to undertake a new effort to impose greater order on what could become an unnecessary proliferation of quasi-governmental channels for transferring financial resources from lender to borrower.

Taxation Developments

Exhibit 20.—Statement by the President, December 30, 1969, on signing the Tax Reform Act of 1969

Eight months ago, I submitted a sweeping set of proposals to the Congress for the first major tax reform in 15 years, one which would make our tax system more fair.

My proposals were carefully balanced to avoid increasing the pressure on prices that were already rising too fast.

Congress has passed an unbalanced bill that is both good and bad. The tax reforms, on the whole, are good; the effect on the budget and on the cost of living is bad.

When the Congress reduces revenues, and at the same time increases appropriations, it causes budget deficits that lead to higher prices.

In terms of long-overdue tax reform, most of my major reform proposals were adopted. Other proposals were worked out between the Congress and the Administration; still others were the handiwork of the Congress alone.

—More than 9 million low-income people who pay taxes will be dropped from the tax rolls. This results primarily from the special Low Income Allowance that I proposed last April as a means of making sure that people at or below the poverty level do not have to pay Federal income taxes.

—A large number of high-income persons who have paid little or no Federal income taxes will now bear a fairer share of the tax burden through enactment of a minimum income tax comparable to the proposal that I submitted to the Congress, which closes the loopholes that permitted much of this tax avoidance. However, the highest rates on wages and other earned income, not otherwise tax-sheltered, will be reduced from 70 percent to 50 percent in 1972.

—The Congress accepted my recommendations to reduce sharply the discrimination against single persons in the tax laws.

—Over 19 million additional people who pay taxes will find their annual task easier because they will find it advantageous to use the simple standard deduction, which is being significantly increased, rather than listing each deduction separately.

—Measures are also included that will guard against over-withholding of income taxes. For example, students who work in the summer and who in the past have had taxes withheld and retained by the government until refund checks were mailed out the following spring, will no longer be subject to such withholding.

—The application of our Low Income Allowance will permit a student in 1970 to earn $1,725—$825 more than at the present time—without paying Federal taxes or being subject to withholding.

—The 255-page bill represents a sweeping revision of the Internal Revenue Code. Section after section is tightened to prevent the avoidance of taxes that has permitted far too many of our citizens to avoid the taxes that others have had to pay.

—Our continuing efforts to meet the nation's housing needs will be aided. The tax bill encourages rehabilitation of old housing and investment in residential construction.

—Tax-free foundations were brought under much closer Federal scrutiny although Congress wisely rejected provisions that would have hampered legitimate activities of the voluntary sector. At the same time, we must recognize that congressional consideration of this matter reflected a deep and wholly legitimate concern about the role of foundations in our national life.

Congress also accepted this Administration's recommendation to increase Social Security payments, enabling our older citizens to maintain their standard

of living in the face of rising prices. Earlier I proposed that this be accomplished through a "catchup" increase in payments coupled with automatic increases in the years ahead to meet any future rises in living costs. Congress provided instead for a higher one-time increase with no automatic increases in the years ahead. I believe my position was more responsive to the long-range needs of the elderly, but the overriding consideration is that 25 million recipients of Social Security benefits have fallen behind financially, which makes my approval of this short-range revision necessary.

Despite the achievement of these worthy goals, the decision to sign the bill was not an easy one.

The bill unduly favors spending at the expense of saving at a time when demands on our savings are heavy. This will restrict the flow of savings to help build housing, to provide credit for small business firms and farmers, and to finance needed State and local government projects. It will make our fight against the rising cost of living more difficult.

The critical moment for this legislation came after the Senate had passed a totally irresponsible bill that would have led to a sharp increase in the cost of living for every family in America. In a letter to the leaders of the Congress, I left no doubt that such a bill would be vetoed.

As a result, when members of the Congress met to work out the differences between the House and Senate bills, the bill that came out of that Conference was over $6 billion less inflationary for the next fiscal year than the bill that had passed the Senate. It still falls almost $3 billion short of my original proposals, but this response to my appeal to budgetary sanity makes it possible for me to sign the bill into law.

I am, however, deeply concerned about the reluctance of the Congress to face up to the adverse impact of its tax and spending decisions. If taxes are to be reduced, there must be corresponding reductions on the expenditure side. This has not been forthcoming from the Congress. On the contrary: In the very session when the Congress reduced revenues by $3 billion, it increased spending by $3 billion more than I recommended.

A deficit in the budget at this time would be irresponsible and intolerable. We cannot reduce taxes and increase spending at a time and in a way that raises prices. That would be robbing Peter to pay Paul. That is why I shall take the action I consider necessary to present a balanced budget for the next fiscal year.

I am also concerned about the constraint this act imposes on Government revenues in future years, limiting our ability to meet tomorrow's pressing needs.

Seldom is any piece of major legislation fully satisfactory to a President. This bill is surely no exception. But I sign it because I believe that, on balance, it is a necessary beginning in the process of making our tax system fair to the taxpayer.

Exhibit 21.—Statement by Secretary Kennedy, September 4, 1969, before the Senate Finance Committee, on the Tax Reform Act of 1969

The Tax Reform Act of 1969 is a milestone in tax legislation. The Administration strongly urges its enactment at the earliest practicable date.

While we endorse its enactment, we believe that the bill should be improved in a number of respects. Broadly, these are:

—the long run revenue loss in the bill of approximately $2.4 billion should be scaled down by about half;

—the balance of tax shifts in the bill (a $7.3 billion reduction for individuals and a $4.9 billion increase for corporations) should be redressed by including a 2-point reduction in the corporate tax rate;

—a number of structural changes in the bill should be modified, some because they go too far, others because they do not go far enough.

Let us make no mistake about the nature of the legislation approved by the House of Representatives. H.R. 13270 is not only the most sweeping tax reform measure in the history of the Internal Revenue Code. It also embodies a significant amount of tax reduction. Reduction of this type and amount at this time can be questioned on three grounds.

First, action now to reduce the national tax burden by a net $2.4 billion annually would represent a significant decision with respect to national priorities. To the extent future revenues are today committed for such reduction, they can-

not be used to support important Government programs. (It should be noted that the $2.4 billion projected revenue loss is expressed in terms of today's income levels. With incomes expected to rise significantly in the next decade, the revenue loss would be much higher.)

The Administration's concern over the proposed cuts in individual taxes does not mean that we attach a low priority to this goal. But tax reduction cannot be carried out without due consideration for other national needs. The extent to which we can responsibly curtail our defense outlays has to be determined by future events, many of which are beyond our control. Domestically, the Congress has enacted programs which call for increased spending in future years. This Administration is committed to renovation of national welfare programs and to an imaginative program of revenue-sharing with State and local governments. Proposals also will be forthcoming to promote additional hiring and training of the hard-core unemployed and to foster investment in poverty areas.

The nation is committed to the goal of adequate housing for all of its citizens. Recent studies demonstrate that Federal surpluses, which would bring down interest rates and stimulate the flow of funds into mortgages, may well be the best way in which to promote such housing.

Even though this Administration is determined to pursue a prudent spending policy, we simply do not know enough about the future to commit ourselves today to the degree of tax reduction embodied in H.R. 13270. In our suggested changes, we have not attempted to attain a precise balancing of estimated increases and decreases over the period. Indeed, revenue estimating is far too imperfect a science for that purpose. However, we urgently recommend that you reduce the expected shortfall in H.R. 13270 by approximately half, to $1.3 billion.

The second major question concerning the tax reduction in H.R. 13270 is whether it is equitable. The largest cuts are appropriately centered in the lowest brackets. But, in too many instances, certain taxpayers are given reductions much higher than others in comparable economic circumstances.

Our recommendations would reduce these inequities by:

Restoring the "phase-out" in the proposed Low Income Allowance, but at a rate of $1 tax for $4 income as contrasted with the $1 to $2 curve in President Nixon's original proposal. This still would remove 5 million taxpayers, including almost all of those at the poverty level, from the Federal tax rolls.

Raising the present standard deduction of 10 percent with a $1,000 ceiling to 12 percent with a $1,400 ceiling, instead of 15 percent with a $2,000 ceiling.

Liberalizing taxation of single persons as compared to married couples through a new rate schedule rather than allowing head-of-household status to those single persons over 35.

The third shortcoming of H.R. 13270 is that it is weighted in favor of consumption to the potential detriment of the nation's productive investment. To be sure, President Nixon recommended on April 21 the repeal of the 7 percent investment tax credit. Such repeal represents over half of the $4.9 billion increase in corporate taxes in the bill. While the Administration's position on repeal of the investment tax credit is unchanged, we are concerned about the bias in the bill against investment in favor of consumption. Such overweighting, embodied in the proposed treatment of capital gains as well as corporate tax increases, could impede economic growth in the years ahead by curtailing the incentive to make productive investments.

To help guard against this drag on growth, the Administration strongly recommends that the tax rate on corporate profits be reduced by one point in calendar year 1971 and an additional point in 1972. This would reduce corporate taxes by an estimated $800 million in 1971 and $1.6 billion by 1972 (in terms of today's profit levels), thereby reducing the net increase in corporate taxes in H.R. 13270 from $4.9 billion to $3.5 billion (after other recommended adjustments). This change in the bill would not be unfair to individuals. Their tax relief, concentrated in the lower brackets, would still amount to a gross amount of $7.3 billion and a net figure of $4.8 billion.

Although no one can forecast perfectly the trend of the economy in the next two years, the Administration's current timetable in its anti-inflationary program of tax relief in H.R. 13270, individual as well as corporate, will have to be reevaluated in the light of then existing conditions.

Investment in the years ahead may also be impeded by the proposed changes in tax treatment of capital gains. We believe these changes go too far. Our origi-

nal proposals were designed to prevent excesses rather than fundamentally alter such tax treatment. Accordingly, we recommend retention of the 6-month holding period, as contrasted with the extension to 1 year in H.R. 13270. In addition, we favor retention of the maximum 25 percent rate on capital gains, except in cases of very large gains relative to ordinary income. In these instances, which would affect a relatively small number of individuals, the rate could rise as high as 32½ percent, or to half the new top bracket rate of 65 percent.

Our recommendations concerning capital gains taxation and other provisions of H.R. 13270 are outlined in detail in Assistant Secretary Cohen's statement, which has been submitted to the committee. Before responding to questions, I would like to summarize several of these recommendations.

1. *Petroleum taxation.*—In its tax proposals of April 22, the Administration made no recommendation for change in percentage depletion as it affects the petroleum industry, except to include such depletion in the Limit on Tax Preferences (LTP) and the Allocation of Deductions Rule (ADR). We recommended that intangible drilling costs that would otherwise be capitalized also be included in the LTP and ADR. Further, we proposed that certain sales of production payments be treated as loans to avoid manipulation of income and losses in mineral transactions.

The House of Representatives accepted our proposals relating to production payments. It included percentage depletion and intangible drilling costs in the Allocation of Deductions but dropped them from the Limit on Tax Perferences. The House action also disallowed percentage depletion on foreign operations and reduced depletion on domestic operations from 27½ percent to 20 percent.

Although the Administration did not recommend a cut in domestic percentage depletion, we accept the House approach to increasing the share of the national tax burden borne by the petroleum industry. But this cut in domestic depletion will not close the loophole which permits a wealthy oilman to pay little or no Federal income tax. To do so, we recommend that the Senate restore percentage depletion to the LTP. However, intangible drilling costs, included originally in the Administration's LTP proposal, should be restored to the LTP only for investors and not for those individuals who receive 60 percent or more of their income from oil and gas operations.

2. *Financial institutions.*—The Administration does not object to the provisions of H.R. 13270 which would base bad debt losses of commercial banks, mutual savings banks, and savings and loan associations on actual experience—subject to a 10-year carryback and a 5-year carry forward for net operating losses. But we are concerned about the continued heavy reliance on investment restrictions to promote a flow of money into residential construction. Such restrictions limit the ability of the thrift institutions to compete for savings during periods of tight money. They also fail to recognize other important national goals.

We therefore recommend a special tax deduction for each of these three institutions, designed to encourage the flow of credit not only into residential construction, but also into other socially preferred uses, such as guaranteed loans to college students and loans guaranteed by the Small Business Administration. At the outset, this deduction could consist of 5 percent of gross interest income from such loans. However, the deduction could not serve in any year to reduce the taxable income of any such institution to an amount less than 60 percent of taxable income, adjusted to include the full amount of dividend income and tax-exempt interest.

The result of these provisions would be to create tax equity among these competing institutions, enhance their competitive ability relative to other outlets for savings, and encourage the flow of money into uses determined by the Congress to be socially preferable.

3. *Other provisions.*—Five other Administration recommendations should be noted:

—H.R. 13270 goes too far in taxing foundations. We recommend that the proposed 7½ percent tax on income be replaced by a 2 percent "supervisory tax," which would raise sufficient funds for an adequate audit program in the Internal Revenue Service.

—In order to make certain that the bill does not unduly restrict donations of property to charities, colleges, and other tax-exempt activities, we recommend deletion of the provision which would include appreciation on such property in the Limit on Tax Preferences and the Allocation of Deductions.

—The personal deduction allowed for State gasoline taxes should be repealed.

Inasmuch as the State tax is, like the Federal tax, essentially a user charge, the existing deduction in effect shifts the burden of those taxpayers who itemize to the general taxpayer. Repeal would raise the average tax on those who itemize by $10 to $15.

—The House bill goes beyond the Administration's recommendations and includes interest on State and local bonds in the LTP. The Administration opposes this inclusiou for the same reasons we gave on April 22—there are constitutional doubts as to inclusion as well as the possibility of adverse repercussions in the market for State and local securities. However, we recommend as we did in April that the full amount of tax-exempt interest be included in the Allocation of Deductions rule, without the 10-year phase-in contained in the House bill.

—To simplify compliance by millions of low-income individuals, persons not subject to tax under the new higher levels resulting from the Low Income Allowance should not be required to file returns.

Mr. Chairman, I repeat that the bill before you is a milestone in tax legislation. Almost all of the 16 substantive tax proposals which President Nixon submitted to the Congress in April, including the Limit on Tax Preferences and the Low Income Allowance, are included in the bill. The House Ways and Means Committee, as a result of its exhaustive hearings, added a number of constructive measures to those proposed by the Administration. The resulting legislation was overwhelmingly approved by the House of Representatives.

Now it is up to the Senate. I am confident that this committee will proceed with the same determination shown in the House and that we can look forward to final enactment of H.R. 13270, appropriately modified, before the end of 1969.

In the words of President Nixon, such enactment will represent a long step toward making taxation, if not popular, at least fair for all of our citizens.

Exhibit 22.—Statement by Assistant Secretary Cohen, September 4, 1969, before the Senate Finance Committee, on the Tax Reform Act of 1969

It is my pleasure to join in Secretary Kennedy's statement and to present the Administration's position on the specific provisions of H.R. 13270, the Tax Reform Act of 1969.

The bill in its present form when fully effective provides tax relief of $9.7 billion to individuals and also contains certain incentive provisions which involve a revenue loss of $0.8 billion—a total revenue reduction of $10.5 billion. These are offset by revenue-raising provisions which in the long run will total $8.1 billion (including $3.3 billion from repeal of investment credit), resulting in a net revenue loss of $2.4 billion. In some years in the early 1970's the net revenue loss will be about $1.0 billion higher. The bill would commit at this time revenues which may be needed for programs of high priority, such as President Nixon's family assistance plan, the Administration's program for revenue sharing with State and local governments, and other vital measures. The size of this revenue loss requires that the tax relief provisions of the bill be carefully evaluated.

The provision giving $4.5 billion of rate reductions to individuals represents reasonable, equitable tax relief. The other broad impact of the bill—the individual relief provisions other than rate reduction—converting the Administration's proposed Low Income Allowance to a flat minimum standard deduction allowance of $1,100, extending the standard deduction to 15 percent with a $2,000 maximum, extending head-of-household treatment to all single persons over age 35, and extending special relief to widows and widowers, provide disproportionately high tax reduction in many instances. In effect, these various benefits cumulate in some of the income brackets, particularly with respect to single persons, and create some serious imbalances in the allocation of the total tax relief. While there is merit in these changes, in the aggregate they go too far and should be cut back. The imbalances, we believe, should be corrected.

The bill would result in a net long term shift in tax burden between corporations and individuals as follows:

Individuals: —$7.3 billion
Corporations: +$4.9 billion

The resulting shift in emphasis of this magnitude from investment to consumption is in our judgment inadvisable.

The Administration recommends a revised program of tax relief for both individuals and corporations designed to decrease the revenue loss in the bill,

distribute the tax relief among individuals more equitably, and reduce to an acceptable degree the shift in emphasis from investment to consumption. This revised program would provide substantial relief for individuals of the same general types as are contained in the bill. The program also calls for a corporate rate reduction ultimately reaching 2 percentage points—relief of the same general magnitude as the individual rate reductions.

This revised program would result in a long term revenue loss of $1.3 billion per year, approximately half as much as the $2.4 billion revenue loss which would result from the House bill. It would result in a net increase in corporate taxes of $3.5 billion and a reduction for individuals of $4.8 billion. While this still represents some shift in emphasis from investment to consumption, it is one that is much less severe than that provided in the House bill and is one that is warranted by the economic conditions which we expect to prevail in the year 1972 and thereafter, when it will have its principal effect.

The general composition of the bill by rate reduction, reform, relief and incentive, for individuals and corporations, is shown in table I. Table II contains a list of the specific provisions in the House bill in the order that I will discuss them, with the long-run revenue estimate of the House bill and the proposed Treasury change.

I have attached at the end of this statement tables showing the effects of the principal provisions on a typical married taxpayer at various income levels. There is also a table showing by adjusted gross income classes the pattern of total tax change under the bill and under the proposed changes. It demonstrates that our program continues but moderates the pattern of the House bill of heavier reductions in the bottom brackets, cuts of about 5 percent in the middle brackets, and an increase in the top brackets.

TABLE I.—*Comparison of House bill and Treasury proposal by principal feature in terms of long run revenue effect*

[In millions of dollars]

	House bill	Treasury proposal	Difference (−) is increased revenue loss, or decreased gain
Rate reduction and relief provisions:			
Individual:			
Rate reduction	−4,498	−4,705	−207
Standard deduction	−4,025	−1,690	2,335
Single person	−650	−445	205
Other	−500	−500	
Total	−9,673	−7,340	2,333
Corporation;			
Rate reduction		−1,600	−1,600
Incentive provisions:			
Individual	−70	−70	
Corporation	−760	−440	320
Total rate reduction, relief, and incentive	−10,503	−9,450	1,053
Reform provisions:			
Individuals:			
Investment credit repeal	600	600	
Other	1,815	1,975	160
Total	2,415	2,575	160
Corporations:			
Investment credit repeal	2,700	2,700	
Other	2,970	2,830	−140
Total	5,670	5,530	−140
Total individuals and corporations reform	8,085	8,105	20
Total:			
Individuals	−7,328	−4,835	2,493
Corporations	4,910	3,490	−1,420
Combined	−2,418	−1,345	1,073

TABLE II.—*Long-run revenue effects of H.R. 13270 as passed by the House and proposed Treasury changes by major provision*

[In millions of dollars]

	Long-run revenue effects		
	House Bill	Current Treasury proposal	Difference (−) is greater revenue loss
Tax relief—Individuals:			
Rate reduction	−4,498	[1] −4,705	[2] −207
Low income allowance—minimum standard deduction	−2,652	−920	1,732
Standard deduction	−1,373	−770	603
Single persons	−650	−445	205
Reporting by low income taxpayers			
Earned income rate limit	−100	−100	0
Gasoline tax deduction	0	390	390
Tax relief—Corporations:			
Rate reduction	0	−1,600	−1,600
Others:			
Foundations	100	25	−75
Exempt organizations—unrelated business income	20	20	0
Charitable contributions	20	20	0
Farm losses	20	50	30
Interest deductions	20	0	−20
Moving expenses	−100	−100	0
Limit on tax preferences	85	60	−25
Allocation	460	480	20
Income averaging	−300	−300	0
Restricted property	(*)	(*)	(*)
Deferred compensation	25	0	−25
Accumulation trusts	70	70	0
Multiple corporations	235	235	0
Corporate securities	70	70	(*)
Stock dividends	(*)	(*)	(*)
Foreign income	65	50	−15
Financial institutions	460	410	−50
Regulated utilities	310	310	0
Tax-free dividends	80	80	0
Natural resources	600	600	0
Capital gains and losses of individuals	635	425	−210
Capital gains of corporations	175	175	0
Real estate	1,005	1,005	0
Cooperatives	(*)	(*)	(*)
Subchapter S	(*)	(*)	(*)
Investment credit repeal	3,300	3,300	0
Amortization of freight cars	−100	0	100
Amortization of pollution equipment	−400	−180	220
Taxation of state and local bonds	(*)	(*)	(*)
Total	−2,418	−1,345	1,073

*Less than $2.5 million.
[1] 1979, calendar year liability.
[2] Increase due to broader tax base associated with a lower standard deduction.

The Administration's position on the provisions of the House bill is as follows. A separate more detailed memorandum making further recommendations as to various matters is also being submitted to the committee.

1. Tax relief—individuals (secs. 801, 802, 803, 804, 805)[1]

Rate reductions.—The $4.5 billion rate cut in the bill does not discriminate between itemizers and nonitemizers, between homeowners and tenants, between married persons and single persons, between heads of households supporting dependents and single persons without this burden, or between taxpayers with different sources of income. The Administration recommends retention of the $4.5 billion rate cut[2] in the form contained in the House bill because it provides such evenhanded nondiscriminatory relief.

Low income allowance.—The Administration in April 1969, recommended a Low Income Allowance designed to relieve persons and families with incomes

[1] References are to section numbers of H.R. 13270.
[2] The rate cuts will cost $4.7 billion under our proposals because our changes in the standard deduction broaden the income base.

below the poverty level from any tax liability. To reduce the revenue loss from this additional special deduction, and to direct its impact at those below or near the poverty level, it was to be "phased-out," i.e., the special allowance was to be reduced at the rate of 50 cents for each dollar of income over the specified "poverty" levels. This limited the bulk of the relief to persons with incomes below $5,000. The allowance in this form would have relieved over 5 million presently taxable persons from any tax liability, would have reduced the tax of 7 million more persons, and would have resulted in an annual revenue loss of only $625 million. The Low Income Allowance in this form was favorably reported in H.R. 12290 by this Committee.

The present bill contains the Low Income Allowance but provides for the phaseout for the year 1970 only. Thus, the bill completely eliminates the phaseout for 1971 and subsequent years, resulting in an additional revenue cost of $2.0 billion.

The Administration recommends that the phaseout be retained but be stretched out by application at the rate of 25 cents for each dollar of income above the poverty level. This will extend the tax benefits provided by the allowance to somewhat higher brackets where they are justified, but without converting the allowance to a minimum standard deduction of $1,100, which is the effect of the House bill. The Low Income Allowance with this extended phaseout will result in a revenue loss of $920 million in lieu of the $625 million as originally proposed. It will thus save some $1.7 billion of the cost of outright elimination of the phaseout.

Standard deduction.—The provisions of the House bill increasing the standard deduction over a 3-year period from the present 10 percent, with a ceiling of $1,000, to a level of 15 percent, with a ceiling of $2,000, should be changed. The increase should be limited to a level of 12 percent with a ceiling of $1,400. This more limited extension of the standard deduction would still result in major simplification since some 4 million taxpayers will be able to switch from itemizing their deductions to the standard deduction. The combined effect of the rate reduction, the Low Income Allowance and standard deduction increase will be to reduce taxes for some 63 million taxpayers and to remove some 6 million persons completely from the tax rolls. The revenue cost of the standard deduction liberalization in this more limited form will be $770 million as compared to $1,373 million cost of the House bill provision.

Single persons.—The tax burden on single persons is disproportionately high in relation to that of married persons who enjoy the benefits of income splitting. However, in our judgment the provision of the House bill extending head-of-household treatment to all single persons age 35 and over is not the best means of dealing with this inequity. While a test based on maintenance of a household might have been devised, it would have been extremely difficult to administer where the taxpayer had no dependents, and in any event, the inequity to be corrected is the disparity in burden between single persons, whether or not they have dependents, and married couples. It seems preferable to reserve more favorable treatment for individuals who both maintain households and support dependents, as opposed to single persons who do not, but yet also narrow the tax differential between single and married persons. Further, the selection of age as a dividing line for preferential treatment seems arbitrary and bears no relationship to actual ability to pay.

Accordingly, in lieu of the provisions of the House bill, the Administration recommends that a new rate schedule be adopted for single persons. This schedule would be constructed so that the difference between single person rates and married couple rates would be narrowed; no single person with the same taxable income as a married couple would pay a tax more than 20 percent greater than the tax paid by the married couple. The head-of-household rates would be reserved for persons maintaining a household for the support of dependents, and would continue to fall approximately halfway between the new single person rate schedule and the rates applicable to married couples. This proposed maximum 20 percent differential reflects a reasonable judgment of the additional costs of living of married couples and their ability to pay as compared to single persons.

The provision of the bill extending without limitation split income treatment to surviving spouses with dependents (rather than for only 2 years after the death of the spouse, as provided by existing law) should be deleted. A surviving spouse will become entitled to head-of-household treatment after the 2-year period if the surviving spouse continues to support a dependent, and there is no rational

397-702 O—71——23

basis for providing more favorable treatment to a surviving spouse than to any other head of household. The limited 2-year period following the other spouse's death is appropriate because this is a period of transition, but we believe the split income benefits should not be extended beyond this period as the House bill provides.

The revenue cost of the lower rate schedule for single persons and heads of households, after deleting the unlimited extension of split income treatment for surviving spouses, would be $445 million as compared to the $650 million cost of the House bill provision.

Reporting by low income taxpayers.—To simplify compliance by millions of low-income individuals, the Administration recommends a liberalization of the filing requirements. Under present law (not changed by the House bill), an individual is required to file a return if his gross income is $600 or more, except that an individual over 65 years of age is required to file a return only if his income is $1,200 or more. Consequently, 5 million nontaxable individuals with incomes which exceed these levels but which are less than the amounts exempted from tax by the Low Income Allowance would still be required to file returns. Since the Low Income Allowance is built into the withholding provisions of the bill, many of these persons will not be filing for refunds. The filing requirements should be raised to the new nontaxable levels.

Earned income rate limitation.—The Administration strongly supports the provisions of the House bill placing a 50-percent maximum tax rate on earned income. This limitation will provide an important incentive to the earning of income by personal services, both by employees and self-employed persons. Many of the devices for conversion of ordinary income into capital gain, and for deferment of income, have been nurtured out of the natural desire of persons who have reached high earned income levels to avoid the burden of very high rates. With a 50-percent top marginal rate on earned income, the successful executive or professional man will be more inclined to concentrate his efforts in the field in which he is qualified and devote less of his attention to intricate means of minimizing the effect of high tax rates. Particularly when coupled with the many provisions of the bill which eliminate or curb existing tax avoidance techniques, we think the 50-percent ceiling rate on earned income represents a substantial improvement in the law.

Gasoline tax deduction.—The Administration recommends that the personal deduction allowed for State gasoline taxes be repealed. It is appropriate to discontinue this deduction as a part of an overall program of rate reductions and liberalization of the standard deduction. The State tax, like the Federal law, is essentially a user charge for highway facilities paid by those who use the highways. As a user charge the existing deduction simply shifts part of the burden of those taxpayers who itemize to the general taxpayer. No other nonbusiness user charges are deductible. The proposed repeal of the deduction would not affect State gasoline taxes paid for business purposes. The revenue gain from repeal would be $390 million, an average tax increase from this change of about $10–$15 to taxpayers who itemize their deductions.

2. Tax relief—corporations

The Administration recommends a corporate rate reduction of two points, a one-point reduction effective in 1971 and a full two-point reduction effective in 1972 and thereafter. The present corporate rate, including the surcharge, is 52.8 percent for the calendar year 1969. This will reduce to 49.2 percent for the calendar year 1970 if the surcharge is extended at 5 percent for half the year as recommended by the Administration. The regular 48 percent rate, which would otherwise be effective for 1971, should be reduced to 47 percent for that year. The rate should be further reduced to 46 percent for 1972 and subsequent years. This program of continuing reduction will provide an important offset to the provisions of the bill withdrawing incentives to investment, such as the repeal of the investment credit. This rate reduction would result in a revenue loss of $800 million in 1971 and $1.6 billion in 1972 and thereafter.

3. Private foundations (sec. 101)

Much of the property of private foundations derives from the income, gift and estate tax deductions allowed for contributions to their creation or support and from the income tax exemption enjoyed by the organizations. The Federal Government thus has a vital interest in insuring that their assets are properly ap-

plied. The provisions of the House bill dealing with private foundations will tend to insure that their property is devoted solely to charitable purposes. Private foundations will thus become even more useful as a flexible source of support for achievement of new levels of thought and action, relieving the burdens of government.

In summary, the House bill would regulate certain activities of foundations. Self-dealing between a private foundation and its substantial contributors would be prohibited. Foundations would be required to distribute the greater of their income or 5 percent of the value of their corpus on a relatively current basis. Where a business is controlled by a foundation, or by a foundation and its substantial contributors, the foundation would be required within a 10-year period to limit or dispose of its interest unless common control is otherwise eliminated. These provisions were recommended by the Administration to the Congress in substantially the form contained in the bill.

The bill prohibits grass roots lobbying, and it also proscribes other activities designed to influence legislation even though they represent only an insubstantial part of the foundation's activities. Existing law with respect to political activities would not otherwise be changed except that activities which influence the outcome of any public election would be significantly restricted. Individual grants would be prohibited unless made pursuant to an objective and nondiscriminatory procedure. Certain transactions with Government officials which might raise substantial questions of propriety would also be prohibited. We regard these rules as necessary restrictions on foundation activity which will not interfere with attainment of their charitable objectives.

Penalties for violations would be imposed in the form of a graduated series of sanctions designed to compel compliance. Foundation managers would not be penalized for any such improper act unless carried out by them with knowledge that it constituted a violation of these provisions. For example, reliance on the advice of counsel would be sufficient defense for a manager.

The provision of the bill on this subject which requires the mose careful evaluation is the imposition of a 7½-percent tax on investment income, including capital gains, of a private foundation. We have concluded that a tax designed to raise revenue from private foundations cannot be justified once the other restrictions imposed on them by the bill have been enacted to insure that their funds will be used solely for charity. That is, there is no reason to reduce funds available for charitable activities by a tax once their tax-exempt status has been justified in the first instance.

However, the Administration considers that it is unfair to require taxpayers in general to pay the increasing cost of administering the audit program for these organizations when such program is required to insure that charity receives the full benefit of foundation resources. Thus, the Administration recommends an annual supervision tax of 2 percent of private foundation investment income. This will raise about $25 million per year in the long-run effect (about $17 million in 1970), which approximates the estimated audit cost.

The bill also contains special provisions granting permanent exemption for two existing private foundations from those provisions designed to prohibit foundation control of operating businesses. We do not believe these two foundations can appropriately be distinguished from other foundations which are subject to the bill; the reasons for applying the business holdings rule to existing foundations—an assurance that their assets, interests, and activities are totally committed to their charitable function—apply equally to these two foundations. We believe these two special exemptions should be eliminated from the bill.

The bill fails to provide an exemption from the business holding requirements where an organization's charter precludes disposition of certain business interests, although it does provide that these requirements are suspended while efforts are being made to secure court authorization of charter amendment. Even if disposition of business holdings is ultimately found by the court to be prohibited, the sanctions of the bill would then be applicable. The House Ways and Means Committee was concerned that if a permanent exemption were granted, the courts would tend to deny permission to amend the instrument. There is, however, a permanent exemption from the income payout rules for those organizations which are required by their governing instruments to accumulate income and which find it impossible to effect a change. It appears that the provision pertaining to dispositions of business holdings is too stringent and should be changed to conform to the income payout rule.

4. Other exempt organizations (sec. 121)

The provisions of the bill dealing with other exempt organizations adopt the Administration's recommendation to extend the application of the unrelated business tax. The business income of churches and other exempt organizations from commercial transactions in direct competition with taxpaying business would no longer be tax exempt. Further, borrowing by a tax-exempt organization to purchase income producing assets which are unrelated to the exempt functions of the organization would be discouraged by taxing all such debt financed income, including investment income. This prevents a tax-exempt organization from extending its tax shelter to a nonexempt seller through inflation of the price.

Investment income used to finance the social activities of members of social clubs and similar groups would be taxed, since in this situation it relieves the members of personal expense which otherwise would be paid by them out of aftertax income.

Finally, rents, interest, and royalties from controlled subsidiaries of any tax-exempt organization would be taxed. This will prevent avoidance of the unrelated business tax by transferring active business operations to taxable organizations while siphoning off the profits from such operations in the form of "passive" income (representing deductible payments to the taxable organization).

The bill also codifies previously existing Treasury regulations defining activities such as advertising, which will be treated as unrelated business. On the other hand, it eases the qualification requirements for voluntary employee beneficiary associations which are in reality health and welfare trusts established pursuant to collective bargaining agreements.

The Administration supports these basic provisions of the House bill. However, these provisions are only a beginning step in resolving the tax problems which exist with respect to exempt organizations. These problems are presently being given further intensive study. For example, the Treasury Department is presently reexamining the requirements for exempt status and the consequences of loss of exemption. Additional recommendations in this area will be presented to Congress as soon as they can be developed.

5. Charitable contributions (sec. 201)

The bill provides in general for an increase in the limitation on the charitable contributions deduction from 30 percent to 50 percent for gifts to churches, educational institutions, and publicly supported charities, as recommended by the Administration. This will provide even greater incentive for private support of these institutions in the United States. Charitable gifts of appreciated property will remain subject to the 30-percent limit. Since we are recommending that appreciation in such property be removed from the Limit on Tax Preferences and the Allocation of Deductions rules, as hereinafter explained, we believe that the retention of the 30-percent limit for such gifts is appropriate. However, in its present form in the bill, it could have an unintended harsh result in some cases. A significant portion of the charitable deduction may be denied where the appreciation in the contributed property is nominal. This provision should be changed so that (a) the appreciation element in charitable gifts of property may not exceed 30 percent of adjusted gross income, and (b) the basis of the property would be counted against the additional 20-percent allowance.

In order to limit some of the present tax advantages of gifts of appreciated property in particular cases, the bill provides that taxpayers making such contributions under certain specified circumstances must either: (a) limit their deduction to the cost or other basis of the property, or (b) take the larger deduction based on the fair market value of the property and include the appreciation in income. This treatment is to apply to gifts of property which would give rise to ordinary income if sold by the taxpayer, gifts to private foundations (other than an operating foundation) unless the property is channeled to a publicly supported charity within 1 year, gifts of tangible personal property, and gifts of future interests of property.

Our recommendation (discussed below) to delete the appreciation element from the Limit on Tax Preferences and the Allocation of Deductions provisions makes most of these limitations appropriate even though they go beyond our recommendations on April 22, 1969. However, we recommend that this rule not be extended to all tangible personal property as provided in the bill. Under other provisions of the bill collections of papers will produce ordinary income if sold,

just as are paintings sold by the artist under existing law. As we recommended on April 22, 1969, the bill prohibits deduction of the value of ordinary income property unless the appreciation is included in ordinary income. But the extension of this rule to gifts of all works of art, even though not created by the donor, appears unduly severe. Our finest museums and art galleries are dependent on such gifts, and their contribution to the good of our society is universally acknowledged. We see no sufficient reason to distinguish such gifts from gifts of appreciated securities to other charities. The problems of valuation of tangible personal property have been substantially resolved by changes in the income tax form, by improved audit programs, and by the creation of a special advisory group to the Commissioner of Internal Revenue on valuation of art objects.[1] Moreover, these valuation problems are not eliminated by the rule in the bill since the donor would still be entitled to deduct the value of the art work against ordinary income even though the appreciation were treated as capital gain.

The bill provides for repeal of the unlimited charitable deduction, the change to be phased in over 5 years. This differs somewhat from the Administration's original recommendation that the unlimited deduction be limited so that the charitable deduction, when taken together with other itemized deductions, could not result in reducing the taxpayer's adjusted gross income by more than 80 percent thereof. However, the provision in the bill is also a reasonable solution and we support it.

The bill restricts the availability of the charitable contribution deduction where, by the use of a trust, property interests are split between charitable and noncharitable beneficiaries. On reconsideration, we believe the bill is unduly stringent in permitting a deduction for the value of a charitable income interest only where the income is taxable to the grantor under other rules. The donor should be allowed a deduction for the value of any long term income interest to charity which is in the form of a guaranteed annuity or a "unitrust." Under the bill a "unitrust" is a trust in which the income beneficiary is entitled to a return equal to a fixed percentage of the value of the assets of the trust each year, thus assuring the income beneficiary a certain return irrespective of the investment policies of the trust.

We also recommend that the effective date of the new estate tax provisions governing charitable deductions be deferred so that the new rules will apply only to persons dying after December 31, 1970. This will provide time for amendments of wills. Moreover, the new estate tax rules should not apply to trusts created heretofore that cannot be amended.

6. Farm losses (secs. 211, 212, 213)

Our studies have demonstrated that large farm losses generally represent capital expenditures which have been deducted under the liberal cash method of accounting. The cash method has been allowed to farmers primarily to help small farmers, but taxpayers with large farm losses are generally not in this class but are wealthy investors who obtain a tax shelter. The bill requires that taxpayers maintain an excess deductions account (EDA) for large farm "losses." On the later sale of farming property, any gain—to the extent it would otherwise be taxed as a long term capital gain—will be treated as ordinary income to the extent of the balance in the excess deductions account. The provision would not apply if the taxpayer used inventories and capitalized items properly chargeable to a capital account as part of his method of accounting for the farming operation.

In its present form, this provision of the bill applies only to individuals with nonfarm adjusted gross income in excess of $50,000. Taxpayers with nonfarm income over $50,000 are permitted to exclude the first $25,000 of their farm losses each year from the operation of the EDA provisions. In practice, this exclusion renders the bill ineffective.

The Administration recommended this EDA treatment on April 22, 1969, but at that time proposed that only $5,000 of losses in any year be excluded. We believe the higher exclusions in the bill should be modified. We now recommend that the EDA rules apply to any taxpayer with nonfarm adjusted gross income in excess of $25,000 whose farm losses exceed $15,000. In such a case, all of the losses should be included in the excess deductions account. These changes will not affect the small farmer or the person with modest nonfarm income.

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[1] See exhibit 62.

We estimate that as so modified the EDA rule would apply to only 9,300 individuals, whose farm losses would aggregate $418 million, an average farm loss per individual of $44,700. The effect of this particular provision would not be to disallow the loss, but only to require that future gains from the sale of cattle, race horses, orange groves, etc., raised on the farm could not be reported as capital gains until they had offset these losses previously deducted from ordinary income.

The bill also provides new rules to deal with the problem of hobby losses. Under the bill, losses will be disallowed if the activity is not carried on with a reasonable expectation of profit. The taxpayer will be presumed not to have a reasonable expectation of profit if the losses from the activity exceed $25,000 in three out of any five consecutive years. The Administration urges adoption of this proposal as an effective means of dealing with cases where the tax laws are being used to subsidize the hobbies of wealthy taxpayers. However, in order to make it clear that the provision is not intended to apply to legitimate business operations, it is recommended that the term "profit" be specifically defined to include not only immediate economic profit but also any reasonably anticipated long term increase in the value of property.

7. Interest (sec. 221)

Under the bill, the deduction for interest in excess of $25,000 on indebtedness incurred to purchase or carry investment assets is allowed only to the extent that the interest is not in excess of investment income plus long term capital gains. This provision is designed to deal with an abuse resulting from the opportunity to deduct an unlimited amount of interest expense, making it possible to acquire growth potential property with borrowed funds and deduct the interest against ordinary income with the anticipated gain on disposition being subject to the capital gains rate.

However, the bill in fact fails to correct many of the problems in this area. By permitting the interest deduction to the extent of investment income, it discriminates against the taxpayer who has only earned income out of which to pay his interest expense. The abuse is the same in either case, though under the bill the individual with earned income, but not a person receiving dividends or other investment income, might lose his interest deduction.

We have been studying many alternatives to the approach of the bill. The only truly equitable solution would require tracing the interest expense to the particular investment for which the funds were borrowed. We are inclined to believe, however, that an attempt to trace investment interest to the related investment would be administratively unworkable. Other alternatives do not appear to correct any substantial number of the actual abuses and uniformly add extraordinary complexity.

In light of these considerations, the Administration recommends that the interest provision of the bill be deleted, although we shall continue to explore the problem in an effort to develop a workable solution. The Allocation of Deductions provision (referred to below) will prevent individuals from offsetting all of their interest deductions against ordinary income when they have tax preferences, such as capital gains, in the current year, and will serve as a major limitation on the use of interest expense as a tax shelter.

8. Moving expenses (sec. 231)

The bill extends the deduction of employee moving expenses to expenses of house hunting trips, temporary living quarters at the new location, and the sale or purchase of a house. Reasonable limitations are provided. The bill adopts the Administration's recommendations in this regard, except that the distance requirement of existing law is increased from 20 miles to 50 miles. The Administration recommends that the 20-mile test be restored.

9. Limit on tax preferences and allocation of deductions (secs. 301, 302)

Present law imposes no limit on the amount of economic income which an individual may exclude from tax through preferential treatment contained in various provisions of the Code. These preferences were intended as incentives to investment, but they contain no adequate limits on their use. In recent years, many high bracket individual taxpayers have used these preferences alone or

in combination so as to pay little or no tax for the support of the Federal Government.

Neither does present law prevent a taxpayer from charging all personal deductions against taxable income even though the presence of substantial amounts of preferential income makes it apparent that, from an economic standpoint, such nontaxable income in fact bears its share of the burden of such personal expenditures.

The bill seeks to correct these inequities through the Limit on Tax Preferences and the Allocation of Deductions provisions. The Limit on Tax Preferences places an overall limit on the combined use of preferences; the Allocation of Deductions rule requires that a proper portion of itemized deductions be charged against income sheltered by tax preferences.

The House bill goes beyond the Administration's recommendations and provides that tax-exempt interest on State and local bonds is included as a preference item for the Limit on Tax Preferences provision. The Administration opposes this inclusion for the same reasons we gave on April 22: there are constitutional doubts as to the inclusion of tax-exempt interest and its inclusion will adversely affect the ability of hard-pressed State and local governments to market their bonds. On the other hand, the House bill provides that tax-exempt interest will be treated as a preference for the Allocation of Deductions rule only to the extent such interest is paid on future issues and even then only with a 10-year phase-in rule. In April, we recommended that all tax-exempt interest be included without such a phase-in rule, and we renew that recommendation at this time.

Under the bill, the excess of percentage depletion over cost and the intangible drilling cost deduction are not treated as preference items under the Limit on Tax Preferences (LTP) provision, although they are included as preferences under the Allocation of Deductions rule. Since making our original tax reform proposals in April, in which both percentage depletion and intangible drilling costs were included in the Limit on Tax Preferences as well as the Allocation of Deductions rule, we have studied carefully the operation of these provisions. We have concluded that some changes in our original proposals are warranted.

First, in view of the substantial reduction in percentage depletion contained in the bill, the inclusion of the intangible drilling cost deduction as a tax preference item could work an unintended hardship in the case of an individual whose principal business is exploration for oil and gas. Accordingly, the Administration proposes that the intangible drilling cost deduction be excluded from the Limit on Tax Preferences provision, but not the Allocation of Deductions provision, if at least 60 percent of the taxpayer's gross income is from the sale of oil and gas. We also recommend, however, as a complement to this rule, that a recapture rule be added to the Code treating as ordinary income any gain on sale or transfer of a well, including a transfer to a controlled corporation, to the extent of intangible drilling costs previously deducted.

For all other purposes, however, both percentage depletion and intangible drilling costs should be included in the Limit on Tax Preferences as well as the Allocation of Deductions provision. Thus, an investor who is not primarily engaged in the oil business will be subject to this broader LTP rule.

In our judgment the provisions in this form will apply more reasonably to persons whose principal business is the discovery of new oil and gas deposits and to whom intangible drilling costs are more in the nature of an annual expense. They should avoid creating any serious disincentive to drilling .However, even in this form the Limit on Tax Preferences should insure that substantially all taxpayers, including those in the oil business, will pay some reasonable amount of tax each year.

High bracket taxpayers will no longer be able to avoid any substantial Federal income tax liability each year by regularly investing their funds in successful wells. (Dry hole costs, of course, will not constitute preferences for any purpose.) The provisions as recommended are essential from the standpoint of fairness in view of the various other preferences which have been included in the LTP.

Second, it appears that the inclusion of gifts of appreciated property to charity as a tax preference item will reduce the benefit of the contribution and thus unduly restrict public support of worthwhile educational and other public charitable institutions. For this reason the Administration proposes that this item be deleted from the Limit on Tax Preferences and Allocation of Deductions provisions.

Third, further study of the excessive use of tax preferences by some taxpayers has led to the conclusion that three additional preferences should be added both to the Limit on Tax Preferences and Allocation of Deductions provisions. Accelerated depreciation in excess of straight line depreciation taken on equipment and other personal property by a lessor of the property under a net lease arrangement should be included. Accelerated depreciation on real property is already treated as a preference under the bill, and accelerated depreciation on leased personal property offers an equivalent shelter to reduce taxes on other income. In addition, the excess of interest, taxes, and rent over receipts (if any) from unimproved real property during the period of construction of improvements should be included as a preference. These amounts are part of the economic cost of the improvement and when allowed as a deduction result in excessive tax benefits to some high-bracket investors. Finally, rapid amortization of rehabilitation expenditures for low cost housing (provided elsewhere in the bill) should be included as a preference. This new provision could easily be used to such an extent as to shelter all of the taxpayer's income unless some limit is placed on its use.

The bill in certain instances allows a basis adjustment in the amount of disallowed preferences with respect to property when the property is later sold. A similar adjustment should be allowed in connection with amounts disallowed under the Allocation of Deductions proposal to the extent ordinary income is realized on a later sale of the property.

10. Income averaging (sec. 311)

The bill substantially liberalizes the income averaging provisions. The eligibility requirement is reduced from 133⅓ percent to 120 percent of base period income, and averaging is permitted for capital gains, income from gifts and bequests, and wagering income. Removal of these exceptions from present law adds simplification, while achieving greater equity. The Administration strongly supports this provision.

11. Restricted property (sec. 321)

During the past few years there has been a rapid growth in the number of so-called restricted stock plans. Under these plans, an employee receives stock or other property subject to certain restrictions, such as a prohibition on sale for a specified period. Under existing Treasury regulations, a tax is not imposed until the restrictions expire. The compensation deemed to be realized at that time is based in most cases upon the lower value of the property at the time of its previous receipt. This combination of deferral and capital gain treatment of appreciation during the deferral period with respect to property received as compensation represents an unwarranted and unintended benefit.

The Administration's recommendation is adopted in the bill. In general, the bill provides for the imposition of tax when the employee's rights to the property become nonforfeitable even if the property is subject to restrictions. The tax is imposed on the then current value of the property determined without regard to these restrictions. Similar treatment is proposed for property transferred in trust. The Administration urges adoption of this provision.

12. Deferred compensation (sec. 331)

This bill provides a minimum tax on deferred compensation payments exceeding $10,000. This minimum tax would be based, in effect, on the individual's rate of tax in the years in which such payments are deemed to have been earned.

From a conceptual standpoint, this provision modifies in certain respects both the cash method of accounting and the annual accounting period. The annual accounting concept underlies our entire tax system. While the cash method of accounting may not lead to perfect results in some cases, the imperfections extend to many areas other than deferred compensation. We believe that with further study of this problem in the context of the tax treatment of all deferred compensation, including amounts paid under both qualified pension and profit sharing plans and nonqualified plans, a better solution in principle can be developed.

In addition, there are a number of problems in the practical operation of this provision which the Treasury Department has not solved satisfactorily. For example, we have been unable to date to develop a satisfactory definition of the term "deferred compensation." Further, while the bill authorizes Treasury reg-

ulations to determine the year in which deferred compensation is deemed to have been "earned," we are concerned about the difficulty of developing satisfactory and workable tests for this purpose.

Deferred compensation is only one aspect of the overall employee benefits problem. Under present law the form of the business organization materially affects the tax treatment of the contributions to retirement funds. Thus many partnerships have been induced to convert into essentially artificial corporations. Recent court decisions invalidating regulations defining "professional corporations," as well as the present incongruity in the treatment of deferred compensation plans of "small business (Subchapter S) corporations" (treated in the bill), make it essential that the Treasury Department develop comprehensive recommendations dealing with the tax consequences of all deferred compensation arrangements.

We have undertaken a comprehensive study of both qualified and nonqualified plans. Our study will be completed and will result in recommendations to the Congress without extended delay. For these reasons, and because of the basic difficulties in these provisions of the bill, the Administration recommends that this provision be deleted from the present bill.

13. Accumulation trusts (secs. 341, 342)

This provision of the bill adopts the Administration's recommendation to limit the present tax advantage inherent in the use of trusts which accumulate income at low rates. It provides an unlimited "throwback" rule which imposes an additional tax on the beneficiary at the time a trust distributes accumulated income to him. This provision would apply to all future distributions of trust income, including that accumulated in years commencing with 1964.

On further study, we have become concerned as to the retroactive effect of this provision. The Administration recommends that present law be continued for accumulations of income in taxable years beginning before April 22, 1969, and that the unlimited throwback provided by the bill apply only to accumulations made in taxable years beginning after that date.

14. Multiple corporations (sec. 401)

The bill adopts the Administration's recommendation to limit a controlled group of corporations to a single $25,000 surtax exemption, one $100,000 accumulated earnings credit, and one $25,000 limitation on the small business deduction of life insurance companies. These limitations would be phased in over an 8-year transition period beginning on January 1, 1969. This is a more liberal transition period than that recommended by the Administration.

The bill also contains two special 8-year transitional rules for corporations which are affected by this provision. There is a gradual increase of the dividends received deduction from 85 percent to 100 percent for transition period dividends. The second rule operates with respect to a controlled group filing a consolidated return and permits the deduction of a gradually increasing portion of certain preconsolidation net operating losses arising in the transition period. These special transition rules introduce extraordinary complexity, and we believe are not justified in view of the phase-in rules already provided for the change. Accordingly, we recommend that these additional special transitional rules be eliminated. Also, while we do not oppose the 8-year phase-in period, a 5-year phase-in period as we originally recommended seems adequate to do equity and would reduce the administrative complexity of the lengthy transition involved.

15. Corporate securities (sec. 411)

The bill seeks to curb tax benefits obtained by conglomerates and other acquisition minded companies by the substitution of an interest deduction for nondeductible dividends. This may occur where, for example, convertible debentures or other debt instruments having equity characteristics are used to effect a merger or acquisition. Under the bill, interest in excess of $5 million incurred for acquisition purposes would be disallowed where (i) the indebtedness is convertible or has warrants attached, (ii) the indebtedness is subordinated, and (iii) either the debt to equity ratio of the acquiring corporation (including affiliated corporations) exceeds 2:1, or the projected annual earnings of the acquiring corporation are less than three times the annual interest expense of the company.

Although the Treasury Department is presently seeking to develop regulations which will aid in distinguishing debt from equity in all contexts, the Administration supports these particular statutory rules designed to deal specifically with the merger situation.

In addition, the Administration supports those provisions of the bill which adopt the Administration's prior recommendations. These include some (but not all) of the provisions of the bill dealing with installment sale treatment under Section 453 and the provisions of the bill dealing with corporate securities issued at a discount and repurchase by a corporation of its convertible securities.

16. Stock dividends (sec. 421)

The distribution of common stock dividends on common stock does not normally represent a taxable event to the shareholder. The shareholder simply receives additional shares to represent the same unchanged equity interest in the corporation. The Internal Revenue Code does, however, provide for taxing a distribution of stock dividends where the shareholder has an election to receive either cash or stock. Many new sophisticated types of stock have been developed in recent years to avoid the impact of this rule, such as increasing and decreasing conversion ratios.

Present law does not adequately distinguish between taxable and nontaxable stock dividends and other corporate adjustments which have the effect of a stock dividend. A general provision is necessary to tax all stock dividends which change the proportionate interest of the shareholder in the corporation where such change is related to a cash dividend on other outstanding shares. Without such a provision substantial revenue losses resulting from circumvention of existing law are anticipated.

The bill substantially adopts the recommendation of the Administration, and we continue to support its enactment. The bill makes it clear that an increase in a shareholder's interest in a corporation, when related to a taxable dividend paid to other shareholders, is to be taxed. In addition to setting out a clear standard for the application of the statute, the section provides needed flexibility for its administration by regulation.

17. Foreign tax credit (secs. 431, 432)

The bill deals with two separate circumstances in which the foreign tax credit is extended under existing law beyond its basic purpose of preventing double taxation of the same income.

The first type of case involves taxpayers, particularly U.S. mineral companies with foreign operations, who choose the "per-country" limitation on the credit (as opposed to the "overall" limitation) in order to deduct losses incurred in a particular foreign country, such as those arising from the favorable rules applicable with respect to oil drilling expenses, against U.S. source income. When operations in that country become profitable, they are able to credit foreign taxes on the income against the U.S. tax even though there has been no net income over the span of years from that country and there is no net U.S. tax against which the credit should be applied. The taxpayer obtains a double benefit: in the year of the loss, he deducts the loss against U.S. source income, and in a subsequent profitable year, he claims the full foreign tax credit for the income from that country.

The bill deals with this problem by requiring a carryover of the losses in applying the limitation on the credit in subsequent years where the per-country limitation was used in the loss year. We support this provision and recommend that it be extended to apply also where there has been an overall foreign loss under the overall limitation.

The bill also deals with the problem of foreign taxes paid on mineral income in excess of U.S. taxes paid on such income. The bill provides for the separate computation of the foreign tax credit limitation with respect to mineral income in those cases where the foreign country holds mineral rights to the property or other conditions suggest that the high excess foreign tax may constitute a disguised royalty payment. The separate computation prevents any excess credit with respect to such income from being applied to shelter other foreign income which may be subject to foreign tax at an effective rate less than the U.S. effective rate on such income.

The Administration supports, in part, the effect of this second provision. How-

ever, while we recognize the hidden royalty problem at which the House bill is directed, we do not feel that the bill provides an equitable solution to that problem. On further examination of the tax and royalty structure applicable to the international minerals industry, we do not feel that it is proper to characterize all foreign taxes on mineral income in excess of U.S. taxes on such income as disguised royalties. It is impossible to ascertain the extent to which income taxes in any particular country are a substitute for royalties, and in many cases the foreign country receives royalty payments which are even greater than royalties customarily paid in the United States. Also, foreign countries frequently impose income tax on nonmineral income, as well as on mineral income, at a rate in excess of the U.S. rate.

If, then, this separate limitation in the bill regarding mineral income is not justified on the ground that any foreign tax in excess of the effective U.S. tax on mineral income is a royalty, it works unfairly for mineral companies as compared to all other U.S. taxpayers with foreign operations. It completely denies mineral companies the opportunity, available to other taxpayers, to average the excess of foreign tax over U.S. tax on mineral income against any excess of U.S. tax over foreign tax on their other foreign income. This result occurs even though the foreign tax on the mineral income is at a reasonable rate judged by world standards and even though such averaging is precisely the purpose of the overall limitation.

In our view, the special problem connected with foreign mineral income which can and should be dealt with arises from the lower effective U.S. rate on mineral production resulting from our percentage depletion incentive. While the bill denies percentage depletion with respect to foreign oil and gas production, we are recommending (as hereinafter described) that this provision be deleted from the bill. While the overall limitation normally allows high foreign tax rates to be averaged with low foreign tax rates, in our judgment this is inappropriate in the case of mineral production income where the excess credits arise because the foreign country does not match our percentage depletion allowance.

We therefore recommend that excess foreign tax credits which result from the allowance of percentage depletion by the United States should not be available against other foreign income. Thus, to the extent the foreign tax in a particular foreign country exceeds the U.S. tax on the same foreign mineral income, but is less than the U.S. tax on such income computed without percentage depletion being allowed, the excess credits could not be applied against other foreign income. We believe this rule will effectively deal with the problem of percentage depletion on foreign mineral production. A similar rule now applies in the Code to Western Hemisphere Trade Corporations, which are taxed at an effective rate approximately 14 percentage points less than the usual corporate rate.

We also recognize that, even aside from not allowing percentage depletion, foreign tax rates on mineral income sometimes exceed the top rates generally applicable by world tax standards to other income.[1] This also, of course, results in unusually high excess credits to be applied against other foreign income. This problem could be resolved on the basis that typically the top rate on distributed income by world standards does not exceed 60 percent. Thus, it could be provided that to the extent the foreign tax exceeded 60 percent of the foreign mineral income from a particular country determined by U.S. standards without a percentage depletion allowance (this allowance having been dealt with by the proposal previously described), excess credits could not be used against other income. This approach could be justified on the ground that taxes in excess of 60 percent represent a substitute for royalties. However, as stated above, not all high foreign rates can be properly characterized as royalty substitutes, and it is impossible to establish to what extent such characterization is proper. Since aside from percentage depletion it is difficult to justify dealing with high foreign taxes in the case of foreign mineral production income but not high foreign taxes imposed on other types of income, we believe it preferable to deal with high foreign tax rates in a general context. We plan to present recommendations to Congress on this subject as a part of comprehensive proposals relating to the U.S. taxation of foreign source income which we are presently developing.

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[1] In some cases the foreign country achieves high effective tax rates by requiring the taxpayer to compute taxable income on the basis of "posted prices" which are substantially in excess of arm's length prices and thus artificially inflate taxable income for their tax purposes.

Consideration of the foreign tax credit as applied to mineral income points up the need for clarification of the tax status of the continental shelf. There is no general provision to this effect in the present bill. The continental shelf areas of the world are being developed at an accelerated pace, and existing uncertainties as to the tax consequences could discourage development of natural resources or result in unintended tax preferences to taxpayers with continental shelf operations. We recommend that the tax status of these areas be clarified by: (1) amending the definition of "United States" in the Code, consistent with our rights and obligations under international law, to include the continental shelf of the United States with respect to the exploration for natural resources; and (2) defining the term "foreign country" as used in the Code to include the continental shelf which pertains to the foreign country concerned.

18. Financial institutions (secs. 441, 442, and 443)

Commercial banks will be required under the bill to compute their reserves for bad debts on the basis of actual bad debt experience; they will no longer be entitled to the special rule under existing law granting them an absolute reserve of 2.4 percent of outstanding uninsured loans. The special bad debt deduction now allowed mutual thrift institutions is to be substantially reduced under the bill over a 10-year transitional period; their special deduction based on 3 percent of increases in real estate loans would be repealed, and their alternative deduction of 60 percent of taxable income would be reduced to 30 percent. The allowance of this 30 percent deduction is tied to a sliding scale permitting the full deduction to a savings and loan institution only if at least 82 percent of its assets is invested in residential real estate loans and certain other qualifying items. In the case of mutual savings banks, the required level would be 72 percent.

To furnish protection against unusually large losses, all financial institutions would be permitted to carry back net operating losses for 10 years (instead of 3 years) and to carry forward net operating losses for 5 years.

The bill also provides that gain on disposition of debt securities of financial institutions will be treated as ordinary gain rather than capital gain. Net losses on such securities are now allowed as ordinary losses, and the bill seeks to provide parallel treatment for net gains.

The Administration endorses the concept that the bad debt deduction should be based on actual loss experience, but we also support the allowance of a special deduction to encourage investment by financial institutions in residential real estate mortgages. Investment by these institutions in residential mortgages is a vital policy goal of the Administration and traditionally has been encouraged through the use of tax incentives. We believe that this goal will be more effectively accomplished by extending the same incentive to all banking institutions, not just the mutual thrift institutions.

The investment standards applied by existing law and the bill to savings and loan institutions and mutual savings banks serve this goal imperfectly and limit free and open competition between these institutions and commercial banks. Conversely, those commercial banks which have traditionally invested in home mortgage financing will be prejudiced by the provisions of the bill which deny their present special deduction but retain a special deduction for the other two types of institutions with which they compete.

Accordingly, the Administration recommends that a special deduction, not tied to bad dept reserves, be provided for banking institutions as an incentive for investment in residential real property loans, student loans, and certain other loans which are made pursuant to national policy objectives. This incentive would be provided by a special deduction equal to a specified percentage of gross interest income from such residential real property and other loans, except that the deduction could not serve in any year to reduce taxable income to an amount less than 60 percent of taxable income, adjusted (for purpose of this calculation only) to include the full amount of dividend income and tax exempt interest. The latter limitation will insure that the incentive could not be used to reduce the effective rate of tax on these institutions below an equitable level. We suggest that the special deduction be 5 percent of gross interest income from such loans, subject to the limitation stated above.

To prevent undue hardship on mutual savings banks and savings and loan institutions and to minimize the possible adverse effect of these proposed changes on the housing market, a 5-year transition rule should be provided to phase in gradually the increased tax burden on these institutions.

19. Foreign bank deposits (sec. 444)

The bill extends from December 31, 1972, to December 31, 1975, the expiration date of the rule of existing law relieving from Federal income tax certain interest paid on deposits by U.S. banks to nonresident aliens and foreign corporations. This rule applies where the interest constitutes income not effectively connected with the alien's or corporation's trade or business in the United States. This extension would also apply to the existing relief from Federal estate tax for such deposits by nonresident aliens with U.S. banks.

Because of balance-of-payments considerations, the Administration recommended in April that these relief provisions not be permitted to expire at the end of 1972 but be continued indefinitely. We would prefer complete removal of the expiration date so long as the balance-of-payments problem exists, but the provision of the House bill extending the provisions through 1975 seems adequate for the time being.

Under current law, interest paid by U.S. branches of foreign banks to nonresident aliens or foreign corporations ordinarily is not subject to U.S. income tax whether or not the deposit is effectively connected with the depositor's U.S. trade or business. In the case of U.S. banks, the interest income is free of tax only if the deposit is not so connected. While the Foreign Investors Tax Act of 1966 recognized that U.S. business-connected deposits in U.S. branches of foreign banks should be subject to U.S. tax to the same extent as if the deposits were made in a U.S. bank, that Act provided that such deposits in U.S. branches of foreign banks would not become taxable until January 1, 1973. We see no reason for any delay in achieving parallel treatment, and therefore recommend that interest paid by U.S. branches of foreign banks be treated the same as interest paid by U.S. banks effective for the calendar year following enactment of the bill. A similar problem arises with respect to deposits in U.S. branches of foreign banks by nonresident aliens for purposes of the estate tax liability, and we recommend similar action.

20. Regulated utilities (sec. 451)

Regulated public utility companies in general account for depreciation on a straight-line basis for purposes of the ratemaking process. Where accelerated depreciation is taken for tax purposes, the actual Federal tax paid is lower than the tax liability which would result from the straight-line depreciation taken for ratemaking purposes. Some regulatory commissions permit taxpayers to "normalize" their tax for ratemaking purposes; that is, they treat as a cost the tax which would have been imposed if straight-line depreciation had been used and treat the difference between this amount and the actual tax as a reserve for future taxes. In other situations the regulatory commissions require companies to take into account in determining the current cost of their operations only the actual tax paid, with the result that the tax reduction due to accelerated depreciation is "flowed through" to the customer as a reduction in price, thus further reducing profits and income tax revenues.

Many commissions are presently switching from normalization to flow through, and others are even imputing the use of accelerated depreciation where the utility in fact is using straight-line depreciation for tax purposes. This trend will force utilities to switch to accelerated depreciation for tax purposes, and the "flow through" consequences will have a double effect in reducing tax revenues, since it results in a reduction in utility gross revenues as well.

Under the bill gas and oil pipeline, telephone, gas and electric utility companies, and water and sewage disposal companies would be allowed accelerated depreciation only if they "normalize" the tax saving for ratemaking purposes. Thus they could not be required by regulatory agencies to "flow through" their tax savings to their consumers at the expense of Federal revenues. An exception would be provided for utilities which are presently using "flow through." Where straight-line depreciation is being taken with respect to property constructed or placed in service before December 31, 1969, no accelerated method will be permitted.

We support this provision of the bill. It would generally "freeze" the present situation, and prevent a major revenue loss estimated as high as $1.5 billion annually, which would result if the present trend by regulatory commissions toward "flow through" were allowed to continue.

There is one transitional problem which should be corrected. In determining whether a utility will be allowed to use accelerated depreciation and "flow

through," the bill looks to the taxpayer's latest return filed prior to July 22, 1969. We recommend that a utility be granted this right if, as of July 22, 1969, the utility had established by book entries or certain other means that it was adopting accelerated depreciation and "flow through."

21. Effect of accelerated depreciation on corporate dividends (sec. 452)

Under present law, a dividend is a distribution out of earnings and profits. A distribution exceeding the amount of earnings and profits is not taxed as a dividend but treated as a return of capital. Through the use of accelerated depreciation many companies, particularly in the utility and real estate fields, have been able to distribute substantial amounts to shareholders without current tax to the shareholders.

The bill adopts our recommendation made in April to require companies to compute earnings and profits by using only the amount of depreciation allowable under the straight-line method. The Administration supports this provision.

22. Natural resources (sec. 501)

The bill puts an end to the tax benefits arising from carved out production payments and ABC transactions by treating these as loan transactions, a result which is in accord with their true nature. The bill also provides recapture rules for all hard mineral exploration costs. The Administration endorses these provisions.

The bill reduces the percentage depletion allowance for oil and gas from 27½ percent to 20 percent and makes similar reductions for other minerals except copper, gold, silver, iron ore, and oil shale. While the Administration did not recommend these reductions, we do not oppose the decision of the House to increase the share of the national tax burden of the mineral industry.

However, the bill also extends the cutoff point for determining percentage depletion on oil shale to include certain nonmining processes. We oppose this provision because it would approximately double the effective depletion allowance on oil shale and would constitute an important breach in the principle that percentage depletion is to be computed on gross income from mining, not manufacturing to any extent. As stated, the bill makes no reduction in the depletion rate for oil shale while reducing nearly all other rates. This would seem to provide a special incentive. If any additional incentive is to be provided, it should be granted in terms of the research and development objective, or at most in terms of the rate, not the cutoff point, or by some other means.

Finally, the bill eliminates percentage depletion with respect to foreign oil and gas production. Our analysis of this provision indicates, in the light of our foreign tax credit provisions, that after a brief period it will probably result in foreign countries increasing their effective tax rates on income from oil and gas production to "sponge up" any additional tax revenue otherwise accruing to the United States. Thus the denial of foreign depletion will increase the effective U.S. rate of tax on such income, which tax the foreign governments will then offset by increasing their rates. The end result will be that the U.S. taxpayer will pay additional tax to those countries, but no additional tax to the United States.

For these reasons, the elimination of percentage depletion on foreign deposits of oil and gas is unlikely to increase U.S. revenues significantly, and will merely increase the burden of foreign taxes on U.S. businesses. We recommend, therefore, that this provision be deleted from the bill. Our proposal with respect to the foreign tax credit, previously described, adequately deals with percentage depletion on foreign deposits by preventing the depletion allowance on foreign mineral production from being used to reduce U.S. tax on other income and will not induce the foreign country to raise its tax on the American company.

23. Capital gains and losses of individuals (secs. 511–516)

The bill repeals the alternative capital gains tax rate of 25 percent and increases the holding period for long term capital gains from 6 months to 12 months. It also provides that net long term capital losses are reduced by 50 percent before being available as an offset against ordinary income. The bill narrows the definition of a capital asset so that the sale of letters, papers, or memoranda by a person whose efforts created them, or by a person for whom they were produced, will give rise to ordinary income. The bill provides that an

employer's contribution to a pension plan, when paid to the employee as part of a lump sum distribution, is taxed as ordinary income.

Additional changes made by the bill include a provision that life interests received by gift, bequest or inheritance, are not accorded a tax basis when sold. Under the bill, all casualty gains and losses on capital assets and section 1231 property are consolidated for the purposes of determining whether they give rise to an ordinary loss or to a gain which is consolidated with other section 1231 gains and losses. Finally, the bill provides that transfers of franchises will not give rise to capital gain treatment if the transferor retains any significant rights in connection with the transfer.

We are opposed to the complete elimination of the alternative tax and to the extension of the holding period. These changes in our judgment impose too great a burden on capital investment. The effect of the bill would be to remove a large measure of the incentive for private capital to engage in new and expanded business ventures. Present capital investments would tend to be frozen and the economy as a whole would suffer. We believe that the 6 months' holding period should be maintained and that, in general, the alternative tax should be retained.

However, the 25 percent ceiling rate on long term capital gains has been used regularly by some wealthy persons who at the same time have minimized their ordinary income. By this means they have reduced their overall effective income tax rate well below that of other persons of comparable or lesser ability to pay. We recommend that a maximum limit be placed on the extent to which the 25 percent ceiling rate can be used in relation to the amount of ordinary income.

The inclusion of the omitted one-half of long term capital gains in the list of preferences contained in the Limit on Tax Preferences (LTP) generally has no operative effect because the purpose of that provision is only to insure that preferences do not exceed one-half of a person's income determined without the preferences. Thus, for example, when a long term capital gain of $50,000 is realized, 50 percent or $25,000 is included as a preference in the LTP calculation, but it has no effect on that calculation since LTP operates only to limit tax preferences to 50 percent of income. However, if a taxpayer has $1 million of capital gains which are taxed at 25 percent instead of the 65 percent top rate applicable to ordinary income under the bill, his actual preference is 40/65 of this amount, or about 61.5 percent, instead of the 50 percent preference permitted by LTP. Thus, the actual preference due to the 25 percent alternative capital gains tax rate, which may be well above the 50 percent nominally excluded, should appropriately be reflected in LTP.

As a means of simplifying the calculation that would be required under LTP but at the same time achieving a comparable result, the Administration proposes that the 25-percent alternative capital gain tax be limited in its use by any taxpayer to long term capital gains which do not exceed the higher of the two following amounts:

1. $140,000 in the case of a married person and $85,000 in the case of a single person if their other tax preferences do not exceed $10,000; or
2. Four times the taxpayer's taxable income (other than long term capital gains) if his other preferences do not exceed $10,000. (If his other preferences do exceed $10,000, the allowable amount would be four times his taxable income adjusted under the LTP and Allocation of Deductions rules, less the amount of those other preferences.)

As an illustration, a married person with tax preferences of less than $10,000 could always realize at least $140,000 of long term capital gains in any year and be assured of availability of the 25 percent alternative rate. Moreover, if he has $60,000 of taxable ordinary income from salary, dividends, etc., he could have $240,000 of capital gains at the 25 percent rate. However, beyond that amount he would lose the benefit of the alternative tax computation; in effect, to the extent his long term capital gains exceed such amount, 50 percent of such amount would be added to his ordinary income and taxed at effective rates ranging from 25 percent up to 32.5 percent (one-half of the regular rates).

To prevent undue hardship arising from occasional realization of a large capital gain, the taxpayer would be permitted to carry over the unused portion of his limit on the alternative tax computation for any taxable year to each of the five succeeding years. This will achieve a fair averaging result.

The result of this rule will be to insure that a taxpayer who consistently realizes large capital gains in relation to his ordinary income will not be able to use the

25-percent ceiling tax to excess so as constantly to reduce his total effective tax rate.

In all other respects, we support the capital gain and loss provisions of the bill.

24. Capital gains rates for corporations (sec. 461)

The alternative capital gains tax on corporations is increased from 25 percent to 30 percent. The Administration supports this provision. Consistent with the rule we recommend for individuals, an amount up to $50,000 of capital gains could continue to be subject to the 25 percent rate, subject to the multiple corporation provisions.

25. Real estate (sec. 521)

The bill would limit accelerated depreciation on new real estate construction (other than housing) to 150 percent declining balance depreciation. Two hundred percent declining balance and sum-of-the-years digits depreciation methods would continue to be available for new housing starts only. The bill would deny accelerated depreciation to real estate purchased from prior owners, but it provides for a 5-year writeoff of capital costs incurred in the rehabilitation of housing made available for persons of low and moderate income. The bill would amend the present recapture provisions of the Code to deny long term capital gain treatment on the sale of real estate to the extent of all depreciation claimed in excess of straight line, eliminating the 10-year phaseout of the recapture provisions under present law.

We believe these provisions represent a major advance in the tax treatment of real estate and are consistent with the national housing objectives. We urge their approval. We recommend, however, that the special incentive for housing should be restricted to that constructed in the United States and its possessions. Moreover, we are concerned with the continued heavy reliance upon tax incentives as a means of achieving our national housing goals, and believe that consideration should be given in the near future to other additional methods of doing so.

26. Cooperatives (sec. 531)

Under present law, cooperative organizations are permitted to reduce their taxable income by the amount of patronage dividends distributed to members if 20 percent of the patronage allocation is paid to the patron in cash. There is no requirement for redemption of the remaining amount in cash. The bill requires patronage dividends to be paid in cash over a period of no more than 15 years. It also requires that an additional 30 percent of the amount of current dividends be paid to patrons either with respect to the current allocation or in redemption of prior allocations. This additional 30-percent requirement is phased in over a 10-year period.

The additional 30-percent requirement is complex and creates serious administrative problems. Since the 15-year requirement assures that cooperatives will make significant current payments, we recommend that the additional 30 percent payout rule be eliminated.

27. Small business corporations—Subchapter S (sec. 541)

The bill provides limitations similar to those applicable to partnerships with respect to contributions to retirement plans for individuals who are significant shareholders of Subchapter S small business corporations. The bill adopts only this one element of our comprehensive recommendations in April dealing with the tax treatment of small business corporations. Our recommendations would have made the tax rules applicable to Subchapter S corporations simpler and easier to satisfy by conforming them more closely to the partnership rules. These changes, worked out through extended discussions with the members of a committee of the American Bar Association, would also have eliminated several unintended abuses in the Subchapter S provisions.

We recognize that the constraints of time made it impossible for the House to deal with the entire Subchapter S proposal, but we do not feel that additional limitations should be placed on the use of Subchapter S without making the liberalizing changes proposed. It is also clear, as I noted earlier, that treatment of deferred compensation and qualified pension and profit-sharing plans needs overall revision. Accordingly, we recommend that this provision be deleted from

TABLE III.—*Tax under present law and tax change under H.R. 13270 and the Treasury proposals before the Senate Finance Committee*

Adjusted gross income class	Present law tax	Change in H.R. 13270 tax	Treasury change before Senate Finance Committee	Percent change	
				H.R. 13270 from present law	Treasury from present law
[In thousands]		[In millions]		*Percent*	
0 to 3	$1,169	−$765	−$661	−65.4	−56.5
3 to 5	3,320	−1,025	−448	−30.9	−13.5
5 to 7	5,591	−960	−423	−17.2	−7.6
7 to 10	11,792	−1,276	−794	−10.8	−6.7
10 to 15	18,494	−1,798	−1,155	−9.7	−6.2
15 to 20	9,184	−699	−511	−7.6	−5.6
20 to 50	13,988	−827	−781	−5.9	−5.6
50 to 100	6,659	−306	−308	−4.6	−4.6
100 and over	7,686	+363	+246	+4.7	+3.2
Total	77,884	−7,293	−4,835	−9.4	−6.2

the present bill and be dealt with when the other aspects of Subchapter S and compensation plans are dealt with in legislation.

28. Taxation of State and local bonds (secs. 601 and 602)

The bill grants States and localities the option of issuing obligations, the interest on which would be taxable, in which case the higher interest cost would be offset by the Federal Government paying a percentage of the total interest cost of the issue. The amount of the subsidy is to be set by the Secretary of the Treasury, in advance, for each calendar quarter, and may range between 30 percent and 40 percent of the interest yield of the issue of obligations until 1974, and thereafter between 25 percent and 40 percent. The provisions of the bill are entirely elective with the issuer: if the issuer chooses to issue taxable obligations, the Federal subsidy follows automatically, but the State or municipality may always issue tax-exempt bonds if it prefers. These provisions of the bill were not contained in the Treasury's April 22 proposals.

The Administration has been quite concerned over the problems facing the States and localities as their demands for funds increase, driving the interest cost of tax-exempt obligations closer to the interest cost of taxable obligations. The Administration has studied this provision in the bill as well as alternate means for alleviation of these problems and has concluded that it will not recommend enactment of this provision. The Administration plans to recommend to the Congress a different proposal at an early date.

TABLE IV.—*Present law tax, tax under H.R. 13270, tax under Treasury proposals before Senate Finance Committee, and percent tax change*

[Married couple with two dependents. Deductible nonbusiness expenses of 10 percent of income]

AGI	Present law tax	H.R. 13270 tax	Treasury proposals before Senate Finance Committee	Percent tax change	
				Present Law to H.R. 13270	Present law to Treasury proposals
				Percent	
$3,000	0	0	0	0	0
3,500	$70	0	0	−100.0	−100.0
4,000	140	$65	$81	−53.6	−42.1
5,000	290	200	253	−31.0	−12.8
7,500	687	576	616	−16.2	−10.3
10,000	1,114	958	1,012	−14.0	−9.2
12,500	1,567	1,347	1,447	−14.0	−7.6
15,000	2,062	1,846	1,951	−10.5	−5.4
17,500	2,598	2,393	2,451	−7.9	−5.6
20,000	3,160	2,968	2,968	−6.1	−6.1
25,000	4,412	4,170	4,170	−5.5	−5.5

397–702 O—71——24

The bill would also deny tax-exempt status to so-called arbitrage bonds, the specific definition of which is left to the regulations. We believe that this is in general a proper method of handling that abuse, but we believe the scope of the term "arbitrage obligation" should be described with some further particularity in the bill.

29. Income tax surcharge (sec. 701)

The bill would impose the income tax surcharge at a 5 percent rate for the first 6 months of calendar year 1970. This contemporary extension of the surcharge is essential to control the inflationary forces now present in our economy and to provide a firm basis for future economic growth. The Administration strongly urges the adoption of this proposal.

30. Automobile and communications services excise taxes (sec. 702)

This bill would extend the existing rates of the excise taxes on automobiles (7 percent) and on communications services (10 percent) for 1 year until December 31, 1970, and would postpone scheduled reductions in future years. These measures would contribute substantially to our efforts to control the inflationary forces now present in our economy. We support their adoption.

31. Termination of the investment credit (sec. 703)

The bill provides for repeal of the investment credit effective as of April 18, 1969. It also provides for transitional rules similar to the rules employed when the credit was suspended in 1966. The Administration recommends no change in these provisions.

32. Rapid depreciation for pollution control facilities and railroad cars (secs. 704 and 705)

The bill contains a provision for rapid 5-year amortization of expenditures for certain facilities for the control or abatement of air and water pollution. The bill also gives railroads an option to depreciate rolling stock other than locomotives on a 7-year straight-line basis. These provisions of the bill are designed as a substitute for the investment credit.

Our national concern as to problems of pollution and environmental control should not obscure the heavy revenue costs ($400 million annually in longrun operation) of the pollution proposal. The necessity for, and effectiveness of, any such provision is doubtful. The overwhelming incentive for industrial pollution control will continue to be governmental antipollution enforcement action, or the threat thereof. A tax relief provision in this setting is not an incentive so much as it is a type of cost sharing, or more accurately, an interest-free loan, to reduce the industrial cost of compliance with enforcement action.

As recommended by Secretary Kennedy in his previous appearance before this committee in connection with the surcharge extension legislation in July, we

TABLE V.—*Present law tax, tax under H.R. 13270, tax under Treasury proposals before Senate Finance Committee and percent tax change*

[Married couple with two dependents. Deductible nonbusiness expenses of 20 percent of income]

AGI	Present law tax	H.R. 13270 tax	Treasury proposal before Senate Finance Committee	Percent tax change: Present law to H.R. 13270	Percent tax change: Present law to Treasury proposals
				Percent	
$3,000	0	0	0	0	0
3,500	$56	0	0	−100.0	−100.0
4,000	112	$65	$81	−42.0	−27.7
5,000	230	200	214	−13.0	−7.0
7,500	552	516	516	−6.5	−6.5
10,000	924	868	868	−6.1	−6.1
12,500	1,304	1,228	1,228	−5.8	−5.8
15,000	1,732	1,636	1,636	−5.5	−5.5
17,500	2,172	2,056	2,056	−5.3	−5.3
20,000	2,660	2,508	2,508	−5.7	−5.7
25,000	3,708	3,492	3,492	−5.8	−5.8

TABLE VI.—*Longrun revenue effects of H.R. 13270 as passed by the House and proposed Treasury changes by major provisions*

[In millions of dollars]

	Longrun revenue effects	
	House bill	Current Treasury Proposal
Reform provisions:		
Individuals:		
Contributions	20	20
Farm losses	20	50
Accumulation trusts	70	70
Deferred compensation	25	
Capital gains	635	425
Natural resources	70	70
Interest deductions	20	
LTP	85	60
Allocation	460	480
Real estate	330	330
Tax-free dividends	80	80
Gasoline tax deduction		390
Total	1,815	1,975
Corporations:		
Foundations	100	25
Unrelated business income	20	20
Multiple corporations	235	235
Financial institutions	460	410
Natural resources	530	530
Foreign income	65	50
Regulated utilities	310	310
Real estate	1,005	1,005
Disallowed interest	70	70
Capital gains rate	175	175
Total	2,970	2,830
Tax relief provisions:		
Individuals:		
Low income allowance	−625	−920
Eliminate phaseout	−2,027	
Increased standard deduction	−1,373	−770
Maximum tax on earned income	−100	−100
Head of household treatment	−650	−445
Reduce tax rates	−4,498	−4,705
Moving expenses	−100	−100
Income averaging	−300	−300
Total	−9,673	−7,340
Corporations:		
Rate reduction		−1,600
Total		−8,940
Tax incentive provisions:		
Pollution control amortization (Corporation)	−400	−180
Rail freight car amortization (Corporation)	−100	
Real estate rehabilitation (Individual)	−70	−70
Real estate rehabilitation (Corporation)	−260	−260
Total	−830	−510
Other provisions:		
Repeal investment credit:		
Individuals	600	600
Corporations	2,700	2,700
Total	3,300	3,300
Grand total	−2,418	−1,345
Individuals	−7,328	−4,835
Corporations	4,910	3,490
Excise		

urge that as a minimum certain corrective amendments be made to this provision. It should be amended to—

(1) limit the fast writeoff to the portion of cost that would otherwise be depreciated over the first 15 years of the life of the facility (as now drawn the provision would confer a benefit roughly equivalent to a 20-percent investment credit in the case of facilities with a 50-year life—almost three times as liberal as the 7 percent investment credit the writeoff is designed to replace);

(2) restrict the writeoff to facilities installed as antipollution facilities in existing plants.

The fast writeoff for railroad cars will provide a substantial tax advantage, involving some $100 million annual revenue loss in full operation, to a relatively small number of profitable railroads which already have adequate buying power to acquire new cars. It will be of no financial assistance to the more depressed railroads. Further it will not be an effective instrument for dealing with the specialized problem of seasonal shortages of general purpose freight cars. We are opposed to this provision.

Conclusion

With the changes we have recommended, we believe that the Tax Reform Act of 1969 will provide a much more equitable division of the tax burden and will materially strengthen the structure of our tax system. We shall continue to study the provisions of the bill and present any further recommendations to the Committee as they are developed. Our objective now and in the future will be to improve the equity and effectiveness of our tax laws.

Exhibit 23.—Statement by Secretary Kennedy, May 12, 1970, before the House Committee on Ways and Means, on the proposed trade act of 1969

I am pleased to appear today to discuss certain elements of the Administration's trade policy and to support H.R. 14870, the proposed Trade Act of 1969. In addition, my associate, John S. Nolan, Acting Secretary for Tax Policy, is prepared to present to you in some detail a specific proposal covering our tax treatment of export income. This proposal is designed to provide tax treatment of export income more comparable to that provided other foreign source income and more in accord with the competitive realities of world markets.

The United States has provided leadership throughout the postwar period for liberal trading and investment practice. The essence of that policy has been to work toward the removal of tariff and other restrictions on trade on an evenhanded and reciprocal basis. We have done so in the firm belief that expansion of international trade and investment under fair competitive conditions is in the interest of all nations.

I believe we can take pride in the achievements of the past, particularly in the reduction of tariffs. Our basic approach remains sound. At the same time, we must recognize that, with tariff barriers already substantially reduced, dramatic new breakthroughs are less likely in that area. Our attention must shift increasingly to other barriers to trade—equally real but often less easy to identify and measure. We must also be alert to the hardships and adjustments enforced on particular industries or sectors in response to shifting trade patterns. Otherwise, past accomplishments will be undermined, and we will not be able to maintain forward momentum against the challenge of those who would seek other solutions to their problems—solutions that look inward to unilateral protective measures in one form or another.

H.R. 14870 would provide the Administration with the minimum tools it needs to maintain forward progress, while protecting the legitimate interests of American business and labor. The Special Representative for Trade Negotiations has discussed the specific provisions of that bill in some detail. I would like, briefly, to note the relationship between our approach to trade policy and our broad international economic situation.

Our international balance of payments remains unsatisfactory. This is true despite the fact that during 1969 we achieved some growth in our international reserve assets—that is, our holdings of gold and foreign currencies, as well as creditor position in the IMF. At the beginning of this year, these assets were further supplemented by the first allocation of Special Drawing Rights. More-

over, foreign official dollar holdings have declined significantly below peak levels. In each of the past 2 years, we have recorded some surplus in our official settlements accounts, in a cumulative amount of about $4½ billion.

However, it must be recognized that these shifts in our financial position were primarily a reflection of extremely tight money in the United States. The high interest rates and shortage of funds in our markets attracted a huge inflow of short term money from abroad. This influx of short term funds cannot continue indefinitely. Indeed, in 1970, there has already been some reversal. This has contributed, at least temporarily, to a sizable deficit in our external accounts during the early months of the year.

In these circumstances, a new emphasis needs to be placed on developments in the more basic elements of our international accounts. Our trade position is of central importance in this respect. The heart of our present balance-of-payments problem lies in the fact that, largely under the pressure of internal inflation and overheating, our traditional trade surplus has dwindled away. Standing at about $6½ billion in 1964—roughly 1 percent of our then GNP—our trade surplus declined to less than $1 billion in both 1968 and 1969. Paralleling this drop in our trade balance, our surplus on all goods and services—despite a steady increase in income on foreign investments—has also decreased.

Rebuilding this surplus must be a prime policy objective. There is no other way in which, over a period of time, we can provide the rest of the world with the real goods and services necessary to support our investment activities and international obligations. Moreover, we must restore our trade and current account surplus in a manner fully consistent with our key position in the world economy, and with the role of the dollar as the preeminent world reserve and trading currency.

In meeting this challenge, the path of restrictionism is not really open to us, not just as a matter of economic philosophy, but also for very practical reasons. Restrictions which are unfair and unacceptable to our trading partners invite retaliation. Thus no benefit to our trade position is achieved, and spreading restrictions would damage our prospects for regaining a substantial surplus through competitive processes. Moreover, I believe we should recognize that freedom to import is one of the most effective possible checks to domestic inflationary pressures. We cannot expect to maintain a competitive industry at home behind a succession of import barriers. Conversely, as we reap the benefits of our current policies to restrain internal inflation, one consequence will be an improved international trade position. We see evidence of this already. In the first quarter, our trade surplus was about $500 million, almost as much as during all of 1969. This is encouraging, but we have a long distance to go in achieving and maintaining a surplus in the magnitude we need.

Better economic performance over a series of years is essential to that effort. But, in addition, the Administration is undertaking a concerted effort to induce and support efforts of industry to seek out and better develop foreign markets. One major element in that effort is to assure competitive export credit facilities. At the same time, we in the Treasury have reviewed thoroughly the implications of our tax structure for the exporting effort. Specifically, we have appraised such factors as the tax treatment of exporters in other countries, the tax treatment of export income under U.S. law as compared to other foreign source income, and the question whether the U.S. tax structure does not inadvertently contribute to an attitude among many American producers that export markets are of secondary interest, not worth concerted and aggressive effort over a period of years.

This examination has led to the conclusion that, in some respects, our tax system does tend to create an unnecessary drag on exports and actually gives some incentive to manufacturing abroad rather than in the United States. Accordingly, we have developed a proposal for a Domestic International Sales Corporation (DISC). We believe this proposal provides a more equitable and satisfactory basis for the taxation of export income. Essentially, it would permit a company, within prescribed rules, to defer income taxation on exports sold through a domestic export subsidiary. The proposal builds upon and modifies certain existing provisions of U.S. tax law that, in practice, have not been fully effective. It is consistent with international practice and obligations.

Specifically, the DISC proposal recognizes that export income is partly foreign source income, just as income from foreign subsidiaries is foreign source income.

This principle that export income may in substance include foreign source income has long been recognized in our tax code, and it has long been a provision of the tax code of other countries. Where this sound tax philosophy has gone astray in the operations of our tax system is that the tax deferral of retained earnings available on foreign investment income can only be obtained on export income through creating a foreign-domiciled sales subsidiary, which many companies find awkward and impractical. Foreign source income may appropriately be determined by the real place of sale, and the destination of the goods; the domicile of the corporate vehicle through which the sale is passed is a matter of incidental significance.

We believe that this approach is consistent with the basic philosophy of the U.S. tax system. The committee has before it another bill, H.R. 13713, that would approach the problem from an entirely different direction, providing a rebate to the exporter for taxes directly or indirectly borne by articles exported. I recognize that elements in this approach bear some similarity to the GATT-sanctioned practices of many foreign countries providing a rebate to their exporters for value-added taxes. It would, however, raise a number of issues that have not been satisfactorily resolved internationally. In the circumstances, other countries could well institute comparable provisions related to similar taxes where no rebate is now provided. Moreover, the revenue cost would be substantial. For example, if the rebate should work out to roughly 4 percent, the loss would probably approach $1 billion or more.

It must be recognized that our own proposal, by deferring income taxes on a large volume of exports, would also entail a significant revenue loss. I cannot ignore that impact, in the light of our present budgetary position. Consequently, fiscal responsibility requires that the effective date for action in this area be delayed beyond fiscal 1971 to July 1, 1971.

The estimated revenue impact for the first full year—under our proposal; fiscal 1972—is expected to approximate $450–$600 million. This revenue impact will, of course, need to be taken into account in shaping our overall budgetary program for that period.

The impact on exports would develop through several channels. Most directly, the tax deferral would increase the profitability of exporting. In many instances this should induce more effective promotional efforts or other measures to compete more effectively. Perhaps more important over time, basic decisions on the location of new investment facilities at home or abroad would be affected, and companies would be encouraged to develop long-range export strategies. Indeed, I believe this shift in taxation would help signal to industry that improved export performance is a national objective of high priority; it would help build the consciousness and attitudes toward exports that this country has been sorely lacking.

In our judgment, the effect of removing the bias against exports in our tax system in the manner proposed should be to generate over time a level of exports a billion dollars or more greater than might otherwise develop.

In summary, we consider the DISC can be an effective companion piece to our liberal trade policy. It is an outward looking measure, resting on a desire to remove impediments to competing more effectively. It can be a part of an effective approach to our entire balance-of-payments problem, and it is an approach that accepts competitive imports as a factor in our battle against inflation.

At the same time, we must face the fact that, in the light of fiscal requirements, the effective date should be deferred. We urge that this proposal receive your careful consideration in the light of all these factors.

Exhibit 24.—Statement by Assistant Secretary Weidenbaum, October 1, 1969, before the House Ways and Means Committee, on The Employment Security Amendments of 1969

I am pleased to have the opportunity today to express the views of the Department of the Treasury on H.R. 12625, a bill which would modernize the Federal-State unemployment insurance system. Although basically sound, the system—which has been in operation since 1935—in some respects has fallen behind in a much changed economy. It is like the long-used, well-constructed machine that is operating well but requires some improvements.

The system has not been generally revised since its inception 35 years ago.

It is in much need for revision to better meet its objectives as insurance against the risks of unemployment and as a built-in mechanism to moderate the impact of significant reductions in the level of economic activity.

Much of the details on the operations of the system and the way the bill would improve these is covered by the testimony of the Labor and Commerce Departments. I will concern myself with the fiscal and financing aspects of the legislation. This bill strengthens the ability of the insurance system to act as an automatic stabilizer when the economy declines to a substantial degree. I believe that prudent planning calls for taking such measures now when the economy is basically healthy and continuing to expand.

An analysis of the past history of unemployment insurance demonstrates its effectiveness as a stabilizing factor. For example, in the 1958 recession, as a result of lower output (GNP), personal income before taxes (excluding transfer payments) declined at an annual rate of $3.2 billion between the third quarter of 1957 and the second quarter of 1958 (see table I). Because of the automatic response of stabilizers such as unemployment benefits, disposable personal income was actually increasing at an annual rate of $2.8 billion during the same period. This stabilizing influence was attained without any discretionary action. Specifically, the $3.2 billion decline in personal income was more than offset by a $2.5 billion increase in unemployment benefits payments, a $900 million increase in social security payments, and $1.5 billion of reduced income taxes resulting from lower incomes. Such sustained disposable income in a recession supports consumption and leads to economic recovery.

We need to improve unemployment insurance so that its potential as an automatic stabilizer can be even greater. To the extent that automatic stabilizers are structured into our economy, this enables economic forces to respond more quickly to adverse employment impacts which may result from periods of substantial economic restraint. This bill goes a long way toward improving unemployment insurance as an automatic stabilizer and hence toward minimizing the social costs which may accompany necessary changes in economic policy.

Need for more automatic response

Mr. Chairman, we need to provide through our insurance system added protection against prolonged unemployment, should that eventuality ever arise. In the past, the more serious a recession grew, the larger were the number of benefit exhaustees and the longer the duration of unemployment. Although such a contingency seems quite remote, it would appear advisable to protect our workers against this possibility. We need to protect our economy by structuring the unemployment insurance system so that protection comes into effect automatically, in timely fashion, and with adequate reserve to meet an emergency.

It should be recognized that our present system of unemployment compensation tends to provide effective built-in stabilization for small recessions (see table I), but it tends to become relatively weaker as recessions become more severe and increasing numbers of workers exhaust benefits. The purpose of "triggered-in" extended benefits is to deal more effectively with the latter type of situation.

TABLE I.—*Changes in personal income, tax payments, and transfer payments from third quarter 1957 to second quarter 1958*

[In billions of dollars]

Decline in personal income (excluding transfer payments)	−3.2
Offset by built-in stabilizers:	
Increase in unemployment benefits	+2.5
Increase in OASI benefits	+0.9
Increase in other transfer payments	+1.0
Reduction in Federal personal taxes	+1.8
Reduction in personal contributions for social insurance	+0.1
Increase in state and local personal taxes	−0.3
Subtotal built-in stabilizers	+6.0
Equals: Rise in disposable personal income	+2.8

NOTE.—At seasonally adjusted annual rates.

SOURCE.—U.S. Department of Commerce, "The National Income and Product Accounts, 1929–65," Supplement to Survey of Current Business, Washington, D.C., U.S. Government Printing Office, August 1966.

In 1958 and again in 1961 the Congress, when it recognized the seriousness of those recessions, enacted temporary extended benefit programs. This bill provides for a program of Federally-financed extended benefits to be "triggered in" automatically when the national unemployment rate among insured workers reaches 4.5 percent for the last 3 months. The current unemployment rate for insured workers is about 2 percent.

Once triggered, the extended program will be "triggered out" when three conditions are met:

(1) The national unemployment rate for 1 month is less than 4.5 percent,

(2) The number of exhaustees of regular State benefits is less than 1 percent, over a 3-month period, and

(3) The program has been in effect at least 13 weeks.

Under the extended benefits program, exhaustees of regular State benefits will continue to receive the equivalent of the regular State weekly benefit for a period equal to one-half the length of the State duration, or 13 weeks, whichever is less. In no case will regular and extended benefits compensate for more than 39 weeks of total unemployment.

Responsiveness of payroll taxes

The higher taxable wage base in the bill will make payroll taxes more responsive to a changing economy. Unemployment insurance benefits have been strongly countercyclical. Taxable wages (limited by the present $3,000 ceiling) are less responsive to economic changes than total wage payrolls. Extending the ceiling to $6,000 will make taxable wages more responsive to the needs of economic stabilization.

Adequacy of State reserves

As a good insurance principle, the States should be able to accumulate adequate reserves to finance a high cost benefit period brought on by more unemployment than usual. Today, a good number of States have adequate reserves if measured by the principle that a State's reserves should be at least one and one-half times the highest 12-month cost benefit rate over the past decade. For example, at the end of 1968, the national average was 1.81 times and 35 States (plus the District of Columbia and Puerto Rico) more than met the 1.5 ratio rule. However, 15 States did not, and these account for over 40 percent of covered workers. The reserves of these States generally need strengthening to assure the soundness of the insurance system. By increasing the Federal taxable wage base to provide Federal Unemployment Tax Act (FUTA) funds for financing the extended benefits program, the bill will also move indirectly in aiding State funding.

The outdated $3,000 wage base will go to $4,800 in 1972 and 1973 and to $6,000 thereafter. States will automatically or by specific action follow the Federal limit. Twenty-six States (plus the District of Columbia and Puerto Rico) have provisions for automatic extension of their taxable wage ceilings to the ceiling in the Federal Unemployment Tax Act.

States will find that the potential yield of their tax systems will increase. Under these circumstances they have the alternative of building their reserves to adequate levels or, if having adequate reserves, the States could lower taxes by reducing rates.

Adequacy of benefits

This bill does not establish Federal standards for the adequacy of State benefits. President Nixon pointed out that this is a responsibility of the States and that such freedom of action is well warranted. But the President requested the States to examine their benefit structures and establish realistic benefit ceilings.

In some of our large industrial States, for example, 60 percent to 75 percent of the male workers laid off receive less than one-half of their weekly wages. It has been generally accepted since the beginnings of unemployment insurance that the wage loss recovery should be at least 50 percent. It was about that level in the thirties, but benefits have simply not kept up with the growth of earnings.

Of course, benefits should not completely replace wages lost from unemployment. Work incentives are needed. The 50-percent rule adequately maintains those incentives. The problem in the present system is that the maximum weekly benefit amount in most States is so low that a large proportion of laid-off workers are unable to receive as much as 50 percent of their normal weekly wages.

TABLE II.—*Comparison of estimated Federal Unemployment Tax Act (FUTA) revenues with estimated administrative costs*

[In millions]

Fiscal year	FUTA revenue under present law	Proposed financing			Administrative costs to be financed from balance[3]
		FUTA revenue[1]	Reserve for extended benefits[2]	Balance after reserve	
1970	$725	$725		$725	$691
1971	776	776		776	783
1972	826	879		879	858
1973	765	1,133	$189	944	883
1974	795	1,214	202	1,012	977
1975	825	1,449	241	1,208	1,082

[1] Assumptions:
a. Taxable wage base—$3,000 in calendar years 1970–71; $4,800 in 1972–73; $6,000 in 1974 and 1975.
b. Tax rate at 0.4 percent of taxable wages.
c. Coverage extension effective Jan. 1, 1972.

[2] Reserve for extended benefits (1/6 of FUTA revenues) estimated at $1.4 billion for an 18-month period on a national basis once each 7 years.

[3] Assumes insured unemployment rate of 2.2 percent. Estimates assume that, beginning with 1973, 75 percent of Employment Service costs will be financed out of FUTA revenues; therefore, the estimates exclude amounts to be financed from general revenues. Estimates include costs of legislation beginning in 1971.

SOURCE.—U.S. Department of Labor, Manpower Administration.

Adequacy of benefits is essential in automatic stabilization. The larger the wage loss recovery, the more disposable income and personal consumption expenditures are sustained.

Funding

The increase in the taxable wage base ultimately to $6,000 will provide the revenue necessary to finance the extended benefits program and administrative expenses (see table II). It is more equitable to finance these programs by increasing the wage base than by increasing rates which would fall more heavily on low wage industries.

Training

The reduction of residual unemployment or structural unemployment would make automatic stabilizers even more effective. Structural unemployment may exist because workers are unskilled or need more skills, because they do not move easily to areas where there are more job opportunities, or because industry may not shift readily from tight labor supply areas to regions where labor resources are more adequate.

We have specific programs now which are directed at overcoming these problems. To the extent that this bill encourages unemployment insurance claimants who need training to take it, it is also contributing to the resolution of these problems. These programs are long range and like our education programs represent a worthwhile investment in human resources to complement investments in capital plant and equipment.

Exhibit 25.—Press release, May 19, 1970, announcing the President's request for enactment by Congress of an environmental control tax on lead additives used in motor fuels

The President today announced his intention to request that Congress enact an environmental control tax on the lead additives used in motor fuels.

The primary purpose of the proposed environmental control tax on lead is to provide an incentive for the rapid development of gasoline with a low and eventually lead-free content. The proposed tax, in addition to providing this important anti-pollution incentive, will provide increased revenue during the period of transition to nonleaded gasoline which will compensate in part in the budget for

the reduced level of corporate tax collections and certain additional expenditures not included in the fiscal 1971 budget.

It is estimated that the proposed tax will result in a first-year revenue gain of approximately $1.6 billion. This amount will diminish as the incentive takes effect and lead-free or low-level leaded gasoline is successfully developed.

The proposed tax will take the form of an excise tax at the rate of $4.25 per pound of lead and generally would be imposed on the sale by the manufacturer or importer of lead additives which are used in motor fuels. In order to prevent possible circumvention of the tax, importer would be defined to include an importer of gasoline containing lead additives.

The tax would apply to lead additives in gasoline used in all gasoline engines although its primary impact would be on automotive fuel. A typical gallon of regular automobile gasoline presently may contain 2.5 grams of lead which, at the rate of $4.25 a pound, would produce a tax of approximately 2.3 cents a gallon if no reduction were made in the lead additive content. The proposed $4.25 rate is designated to impose on leaded gasoline a price penalty which will allow unleaded gasoline, which is more expensive to manufacture, to be marketed more competitively.

The tax would be imposed on the manufacturer's sale of lead additives after June 30, 1970. To bring the tax fully into play at that date and to discourage possible stockpiling of tax-free lead additives sold in the interim period between the date of the President's announcement and the proposed effective date, a floor stock tax would be imposed on all inventories of lead additives held by any person other than the manufacturer or importer on June 30, 1970. This floor stock tax would be in the same amount and measured in the same manner as the tax on the sale by the manufacturer of lead additives.

In order to prevent the tax from causing undue hardships on the part of smaller refiners of gasoline, it is proposed that each separate company engaged in the refining business be permitted to use, free of tax, additives containing up to 1,000,000 pounds of lead during the first year the tax is in effect. This amount would be decreased by 200.000 pounds annually until 1976 when all lead contained in such additives would be fully taxable. Only one member of a controlled group of corporations, as defined in section 1563 of the Internal Revenue Code, would be permitted this tax-free use of additives. For this purpose, the 80-percent ownership rule of section 1563(a) would be reduced to 50 percent.

The figure of 1,000,000 pounds is based upon the average amount of lead in additives that is believed to be used by a typical refinery with a capacity of 30,000 barrels a day of crude oil. The figure of 30,000 barrels a day is that established by the Small Business Administration for distinguishing small refiners eligible for set-asides for contracts with the Department of Defense.

Although each such refiner would be able to use additives containing up to 1,000,000 pounds of lead, we propose that this allowance be limited to the amount of additives containing no more lead than that contained in the additives actually used during the preceding year, or if greater, the average of the three preceding years. In this manner the possibility of small refiners profiting by selling unused tax-free additives to other refiners will be avoided.

It is proposed that this tax-free use be accomplished by permitting the refinery company to compute the amount of tax attributable to the lead contained in the additives used during each period for which a tax payment reportable on Form 720 (the Quarterly Federal Excise Tax Return) is due. The amount of the tax so computed would be used as an adjustment reducing the total tax payable. Alternatively, the refiner would be authorized to claim a refund for the amount of the tax.

Revenue Sharing

Exhibit 26.—Message from President Nixon to the Congress, August 13, 1969, on revenue sharing

If there is a single phenomenon that has marked the recent history of nations, large and small, democratic and dictatorial, it has been the rise of the central government.

In the United States, revenues of the Federal Government have increased 90-fold in 36 years. The areas of our national life where the Federal Government has become a dominant force have multiplied.

The flow of power from the cities and States to Washington accelerated in the Depression years, when economic life in America stagnated, and an energetic national government seemed the sole instrument of national revival. World War II brought another and necessary expansion of the Federal Government to marshall the nation's energies to wage war on two sides of the world.

When the war ended, it appeared as though the tide would be reversed. But the onset of the cold war, the needs of a defeated and prostrate Europe, the growing danger and then the reality of conflict in Asia, and later, the great social demands made upon the Federal Government by millions of citizens, guaranteed the continued rapid growth and expansion of Federal power.

Today, however, a majority of Americans no longer supports the continued extension of Federal services. The momentum for Federal expansion has passed its peak; a process of deceleration is setting in.

The cause can be found in the record of the last half decade. In the last 5 years the Federal Government enacted scores of new Federal programs; it added tens of thousands of new employees to the Federal payrolls; it spent tens of billions of dollars in new funds to heal the grave social ills of rural and urban America. No previous half decade had witnessed domestic Federal spending on such a scale. Yet, despite the enormous Federal commitment in new men, new ideas, and new dollars from Washington, it was during this very period in our history that the problems of the cities deepened rapidly into crises.

The problems of the cities and the countryside stubbornly resisted the solutions of Washington; and the stature of the Federal Government as America's great instrument of social progress has suffered accordingly—all the more so because the Federal Government promised so much and delivered so little. This loss of faith in the power and efficacy of the Federal Government has had at least one positive impact upon the American people. More and more, they are turning away from the central Government to their local and State governments to deal with their local and State problems.

As the Federal Government grew in size and power, it became increasingly remote not only from the problems it was supposed to solve, but from the people it was supposed to serve. For more than three decades, whenever a great social change was needed, a new national program was the automatic and inevitable response. Power and responsibility flowed in greater and greater measure from the state capitals to the national capital.

Furthermore, we have hampered the effectiveness of local government by constructing a Federal grant-in-aid system of staggering complexity and diversity. Many of us question the efficiency of this intergovernmental financial system which is based on the Federal categorical grant. Its growth since the end of 1962 has been near explosive. Then there were 53 formula grant and 107 project grant authorizations—a total of 160. Four years later on January 1, 1967, there were 379 such grant authorizations.

While effective in many instances, this rapid growth in Federal grants has been accompanied by:

—Overlapping programs at the State and local level.

—Distortion of State and local budgets.

—Increased administrative costs.

—Program delay and uncertainty.

—A decline in the authority and responsibility of chief executives, as grants have become tied to functional bureaucracies.

—Creation of new and frequently competitive State and local governmental institutions.

Another inevitable result of this proliferation of Federal programs has been a gathering of the reins of power in Washington. Experience has taught us that this is neither the most efficient nor effective way to govern; certainly it represents a radical departure from the vision of Federal-State relations the nation's founders had in mind.

This Administration brought into office both a commitment and a mandate to reverse the trend of the last three decades—a determination to test new engines of social progress. We are committed to enlist the full potential of the private sector, the full potential of the voluntary sector and the full potential of the levels of government closer to the people.

This week, I am sending to Congress for its approval for fiscal year 1971, legislation asking that a set amount of Federal revenues be returned annually to

the States to be used as the States and their local governments see fit—without Federal strings.

Because of budget stringencies, the initial fund set aside to start the program will not be great—$500 million. The role of the Federal government will be redefined and redirected. But it is my intention to augment this fund annually in the coming years so that in the fiscal year beginning in mid-1975, $5 billion in Federal revenues will be returned to the States without Federal strings. Ultimately, it is our hope to use this mechanism to so strengthen State and local government that by the end of the coming decade, the political landscape of America will be visibly altered, and States and cities will have a far greater share of power and responsibility for solving their own problems. The role of the Federal Government will be redefined and redirected toward those functions where it proves itself the only or the most suitable instrument.

The fiscal case for Federal assistance to States and localities is a strong one. Under our current budget structure, Federal revenues are likely to increase faster than the national economy. At the local level, the reverse is true. State and local revenues, based heavily on sales and property taxes, do not keep pace with economic growth, while expenditures at the local level tend to exceed such growth. The result is a "fiscal mismatch," with potential Federal surpluses and local deficits.

The details of this revenue sharing program were developed after close consultation with members of the Congress, governors, mayors, and county officials. It represents a successful effort to combine the desirable features of simplicity and equity with a need to channel funds where they are most urgently needed and efficiently employable.

The program can best be described by reviewing its four major elements.

First, the size of the total fund to be shared will be a stated percentage of personal taxable income—the base on which Federal individual income taxes are levied. For the second half of fiscal year 1971, this will be one-third of 1 percent of personal taxable income; for subsequent fiscal years this percentage will rise to a regular constant figure. In order to provide for the assured flow of Federal funds, a permanent appropriation will be authorized and established for the Treasury Department, from which will be automatically disbursed each year an amount corresponding to the stipulated percentage.

Second, the allocation of the total annual fund among the 50 States and the District of Columbia will be made on the basis of each State's share of national population, adjusted for the State's revenue effort.

The revenue effort adjustment is designed to provide the States with some incentive to maintain (and even expand) their efforts to use their own tax resources to meet their needs. A simple adjustment along these lines would provide a state whose revenue effort is above the national average with a bonus above its basic per capita portion of revenue sharing.

Third, the allocation of a State's share among its general units of local government will be established by prescribed formula. The total amount a State will share with all its general political subdivisions is based on the relative roles of State and local financing in each State. The amount which an individual unit of general local government will receive is based on its share of total local government revenue raised in the State.

Several points should be noted about these provisions distribution of a State's portion of revenue sharing.

—The distribution will be made by the State.

—The provisions make allowance for State-by-State variations and would tend to be neutral with respect to the current relative fiscal importance of State and local governments in each State.

—In order to provide local flexibility, each State is authorized to develop an alternative distribution plan, working with its local governments.

Fourth, administrative requirements are kept at a minimum. Each State will meet simple reporting and accounting requirements.

While it is not possible to specify for what functions these Federally shared funds will provide—the purpose of this program being to leave such allocation decisions up to the recipient units of government—an analysis of existing State and local budgets can provide substantial clues. Thus, one can reasonably expect that education, which consistently takes over two-fifths of all State and local general revenues, will be the major beneficiary of these new funds. Another pos-

sible area for employment of shared funds, one most consistent with the spirit of this program, would be for intergovernmental cooperation efforts.

This proposal marks a turning point in Federal-State relations, the beginning of decentralization of governmental power, the restoration of a rightful balance between the State capitals and the National Capital.

Our ultimate purposes are many: To restore to the States their proper rights and ro es in the Federal system with a new emphasis on and help for local responsiveness; to provide both the encouragement and the necessary resources for local and State officials to exercise leadership in solving their own problems; to narrow the distance between people and the Government agencies dealing with their problems; to restore strength and vigor to local and State governments; to shift the ba'ance of political power away from Washington and back to the country and the people.

This tax-sharing proposal was pledged in the campaign; it has long been a part of the p'atform of many men in my own political party—and men in the other party as well. It is integrally related to the national welfare reform. Through these twin approaches we hope to relieve the fiscal crisis of the hard-pressed State and local governments and to assist millions of Americans out of poverty and into productivity.

RICHARD NIXON

THE WHITE HOUSE,
August 13, 1969.

Exhibit 27.—Remarks by Secretary Kennedy, November 13, 1969, before the Greater South Dakota Association, Mitchell, South Dakota, on the fiscal side of the new federalism

Tonight I want to discuss a subject in which President Nixon is vitally interested—the future of our American Federal system. This Administration is firmly convinced that our progress as a free and progressive society depends importantly on the health and vitality of government at all levels—Federal, State, and local. The President is deeply disturbed over the imbalance that now exists among these partners in federalism.

The story of American government in the 20th century has been one of increasing concentration of power and responsibility at the Federal level. This flow of power to Washington was induced and stimulated by major wars, both hot and cold, and by economic crises. In recent years it has been accelerated by a variety of efforts to cure major domestic ills through the force of Federal programs and Federal money. The remarkable capacity of the Federal tax system to generate revenues has sustained and even encouraged this transfer of power.

But this expansion in the scope of Federal influence and responsibility has produced an undesirable imbalance in the American public sector. Our State and local governments have been asked to deliver an ever growing quantity of vital domestic services, but they lack efficient and productive systems of taxation to respond adequately. In short, they have been unable to play their rightful role in our Federal system.

The traditional functions of State and local government—education, welfare, police protection, health and hospitals, highways, sanitation—are more important today, on our scale of national priorities, than ever before. Over the years, the Congress and the Federal executive branch have recognized the importance of these local services, and have considered it essential that they be provided to our citizens. As a result, Federal grants-in-aid to State and local governments have grown enormously—from $1 billion in 1946 to a level of $25 billion this fiscal year.

But this significant rechanneling of Federal tax dollars to our States and localities has not been as successful in increasing the scope and quality of State and local public services as one might hope. The transfer of Federal funds has been accompanied by an ever growing maze of program authorizations, restrictions, formulas, matching provisions, project approval requirements, and a host and variety of administrative burdens.

Over a period of years the Federal system of assistance to States and communities has evolved in piecemeal fashion. Federal, State, and local officials are today confronted with over 600 programs for narrow categorical grants. Many of these programs are extremely cumbersome and each is equipped with its own

array of administrative procedures and its own set of requirements to be levied upon State and local governments.

In drawing upon several funding sources to help finance one neighborhood project, for example, a local official may be confronted with a series of application forms weighing several pounds, a tortuous application process which may require many months to elicit a "yes" or "no" response from the Federal Government, and a continuing process which may burden that community with hundreds of reports to the Federal Government which are rarely read. Further, the local official may have to work with Federal people located in three or four different States in the course of putting this one project together.

I am told that a single program may require over 100 different kinds of forms and reports, and that it may take over 100 pages merely to list the administrative steps involved in the processing. We have found instances in which Federal, State, and local governments make scores of independent studies in the same community without one knowing what the other is doing or having an opportunity to share in the results of the other study efforts.

On March 27th, President Nixon undertook a major 3-year program to simplify Federal assistance. He has mounted a multipronged attack on the mass of red tape which is smothering the efforts of our three levels of government to work together effectively. Initial results are encouraging, and I am confident that in 3 years the President's efforts will have resulted in the elimination of many of these costly procedures and requirements which today burden our public officials and limit their ability to respond to public needs.

Against this background, the President also has come forward with a bold and challenging new domestic policy program designed to restore balance to American federalism while strengthening government's ability to deliver needed public services as efficiently as possible. This "New Federalism" seeks to redefine and redirect the role of the Federal Government toward those public functions where its capacity and effectiveness are unquestioned. It will move to restore to our states and localities the decisionmaking power rightfully theirs.

At the heart of our New Federalism is the proposal for sharing Federal revenues with State and local governments. The Treasury has had a major hand in drafting this revenue-sharing proposal, and we will be working very hard in the coming months to secure its enactment by the Congress.

I would like to take this opportunity to outline for you the main features of this revenue-sharing plan. It can be conveniently discussed in terms of its four major provisions.

First, the annual revenue-sharing appropriation will be a stated percentage of personal taxable income—the base on which Federal individual income taxes are levied. For the first year of operation, this percentage will be modest, yielding about $500 million. But in 1976 we will be sharing a full 1 percent of the tax base, or about $5 billion. In subsequent years, the revenue-sharing appropriation will automatically respond to the growth in taxable income. This is only one more reason why our State and local governments have a strong stake in seeing a healthy national economy—a point which I will turn to shortly.

Second, the State-by-State distribution of funds will be made on the basis of each State's share of national population, with a small adjustment for revenue effort to provide an incentive for maintenance of local taxing efforts. This adjustment will mean that a State like South Dakota, whose revenue collections in relation to State personal income are 24 percent above the national average, would receive a 24-percent bonus above its basic per capita portion of revenue sharing.

Third, each State government must distribute a portion of these revenue-sharing payments to all its general purpose local governments, regardless of size. Some alternative proposals would only include our larger cities and counties in direct revenue sharing. We strongly believe that all local governments are faced with fiscal pressures and that all deserve specific inclusion in this program.

The total amount a State must share with all its cities, counties, and townships will depend on the existing division of public financing responsibilities within each State. An individual local government will receive a fraction of each revenue-sharing payment which corresponds to the relative role which its general revenues bear in relation to the total of all State and local general revenues. We use this basis for allocating funds among local governments because a per capita distribution cannot distinguish between the importance of overlapping jurisdictions.

Fourth, State and local officials will receive not only the funds, but also the decisionmaking authority over the use of those funds. This is perhaps the most important feature of revenue sharing, and one which clearly distinguishes it from the Federal government's existing grant-in-aid system. Without the Federal program or project "strings," State and local authorities are free to initiate ideas which respond directly to the particular needs and interests of their jurisdictions. Only simple accounting and reporting requirements will be in force.

This revenue-sharing program represents an important new direction in the relationships between Federal Government and State and local governments. It gives our Federal system both a sound financial center and a needed decentralization of control. It will serve as an important supplement to our existing categorical aid programs. I am especially pleased to have this opportunity to describe the major features of our proposal to you, since Senator Mundt, as a longtime supporter of revenue sharing, was one of its sponsors when the plan was introduced in the Senate. We greatly appreciate the strong support and interest he has given us.

As I noted earlier, the size of the annual revenue-sharing appropriation will be primarily determined by the level and growth of the American economy. Therefore, the State and local governments will be vitally interested in seeing our Nation maintain a steady and healthy rate of economic expansion. Of course, these governments have always had a strong stake in our economic good health, particularly as the state of the economy affected their tax receipts, operating expenses, and borrowing costs. With revenue sharing there is even more to be gained by State and local governments from noninflationary economic growth.

The responsibility for national economic policy is one public function which the Federal Government cannot delegate to the States and cities. It can only be exercised from Washington. However, when the Nixon Administration took office last January, the economy was suffering from several years of failure by the Federal Government to exercise that responsibility in a timely and effective manner. As a result, a serious inflation had been permitted to work its way deeply into the fabric of our economic life. We moved quickly and firmly to bring the policies of the Federal Government in line with our urgent need to halt the spiral of rising prices, and we are now beginning to see some hopeful signs of success.

But inflationary pressures are currently much too strong for us to assume any complacency. Our policies of economic restraint—especially our efforts to achieve a significant budget surplus—must be maintained until inflation is brought under control. For this we must depend on the Congress to approve the revenue measures we recommended last April. Without the extension of the income tax surcharge at the reduced rate of 5 percent for the first half of 1970, plus the repeal of the investment tax credit and the extension of certain excise taxes, we stand to lose about $4 billion in urgently needed revenues.

A revenue loss of this magnitude would have two serious impacts. First, we would lose most of our fiscal restraint in the budget—a restraint which is only moderate without the revenue loss. This is not the time to bring about an abrupt easing of fiscal policy. Second, and perhaps even more significant, this $4 billion shrinkage in Federal revenues would mean an equivalent strain on our already tight financial markets. This would be most unfortunate at a time when we might hope that interest rates could begin to ease from their historic high levels. These extraordinarily high interest rates have had a particularly severe impact on the flow of funds into housing and State and local government projects.

It is quite clear, therefore, that our State and local governments have a strong interest in seeing the income tax surcharge extended and the other revenue-raising measures enacted. For a shift in the mix of economic policies to even tighter monetary measures because of an easier fiscal position would seriously upset the essential borrowing efforts of States, cities, and counties.

Thus, at the Treasury we are engaged in two very important efforts to strengthen the fiscal structure of our American Federal system. On the one hand we are working hard to enact a program of revenue sharing—to provide both the encouragement and the resources for local and State officials to exercise leadership in solving their own problems. On the other hand, we are striving to exercise our unique Federal responsibility for restoring the American economy to a prosperous, growing, and stable condition. Both these efforts are vital to our national well-being, and I hope you will join me in encouraging the Congress to move forward on both fronts.

My remarks this evening would be incomplete if I did not outline for you the

relationship between these two efforts, which occupy so much of our attention at the Treasury, and the Administration's total package of domestic policy initiatives. President Nixon's new domestic program has been described by many observers as the most significant Presidential proposal for domestic reform in recent decades. It is significant both for qualitative and quantitative reasons, both for the number of new ideas it presents and for the boldness with which they were conceived. The President's package of proposals included the most striking conceptual change in the history of the welfare program, the most sweeping administrative change in the history of manpower training programs, and this entirely new and different approach to the fiscal relationship between the Federal Government and the States and localities which I have described to you.

Each of these proposals was historic in its own right. Yet the President chose to discuss all of them together, for he saw them as component parts of a single strategy. "They make both a package and a pattern," he observed. "They should be studied together, debated together, and seen in perspective."

I look forward to the time, hopefully quite soon, when we have this exciting new package of proposals fully implemented. Their institution will signal a new direction and a new hope for effective government performance. That is an objective which we all must share.

Exhibit 28.—Remarks by Under Secretary Walker, March 23, 1970, before the 10th Annual Washington Conference on Business-Government Relations, on new federalism in the 1970's—the financial dimension

"Where is the money coming from?"

That perplexing question serves as the central theme for this morning's session. It is a question which everyone must periodically ask, and depending upon the circumstances of the questioner, will be answered with varying degrees of uncertainty and difficulty. In addition, it is a question with many dimensions. Money is needed to cover current operating requirements, and to finance investment outlays both now and in future years.

For the State and local governments of our country, the answers to this question have become increasingly difficult during the 1960s. And the 1970s hold no promise for making the answers much easier. Recognizing the financial health of States and localities as an important national priority, the Nixon Administration has taken several significant steps toward improving the fiscal outlook for the State and local partners in our Federal system.

Major Administration proposals are directed toward improving both the current operating picture and the availability of debt capital to States and localities. I think it would be useful to begin this session by examining the issues and the proposals affecting both of these financial dimensions.

I. Current operating picture

Anyone who carefully examines our system of public finance is struck by the existence of what analysts of all political persuasions have called the "fiscal mismatch." Simply stated, this term describes the completely opposite underlying budgetary position of the Federal Government compared to State and local governments.

At the Federal level, our growth responsive income taxes generate revenues at a pace which exceeds both economic advancement and peacetime expenditure requirements. Since 1950, for example, the Federal Government has indulged in the political luxury of voting three major tax reductions (1954, 1964, and 1969), while still maintaining a healthy revenue growth. Indeed, in the new budget our projections of revenues, expenditures, and incomes indicate that the current Federal tax structure will be generating $266 billion in revenues by fiscal year 1975. In the same year, the expenditure requirements resulting from existing programs and new Presidential initiatives will amount to $244 billion.

This difference of $22 billion does not represent a planned "surplus" for the Federal budget in 1975. What it measures is the amount of fiscal leeway available to the Congress and the President for the initiation of new programs, for tax reduction, or for debt reduction. In addition, this longer range projection reveals the underlying strength of the Federal fiscal position in a growing economy.

At the State and local level, we get quite a different picture. The Advisory Commission on Intergovernmental Relations estimates that between 1950 and 1968, less than one-half the increase in major State taxes was the result of economic growth. Legislative action on new or higher taxes was responsible for the better part of this increase. In contrast to Federal tax reductions, State governments made more than 300 rate increases in major taxes during the 1960s alone.

In view of their revenue sources, this unresponsiveness of State and local tax systems to economic growth is not surprising. At the local level, more than 85 percent of tax collections come from property taxes, while nearly three-fifths of all State tax collections come from sales and gross receipts levies.

In the face of this sluggish revenue growth, our States and localities are faced with ever increasing demands for the provision of basic public services. As always, they are expected to operate our major domestic service systems—such as education, law enforcement, and waste disposal. But the expenditure requirements generated by these basic social needs continue to outpace State and local revenue growth.

The result is the "fiscal mismatch." One level of government has the superior revenue generating system. The other levels of government have the major domestic expenditure requirements.

The Federal Government has not been oblivious to this discontinuity between needs and resources. Federal assistance to State and local governments has grown dramatically in the postwar period, from $2 billion in 1948 to $28 billion in the new budget for 1971. The latter figure represents nearly one-quarter of all domestic Federal spending.

But this growing Federal assistance has come in the form of narrow program and project grants-in-aid. The number of program authorizations has been growing just as fast—if not faster—than the dollar total of assistance. Currently, we have somewhere in the neighborhood of 500 separate programs of Federal aid to States and localities.

That statement bears repeating: Today, we have approximately 500 separate programs of Federal aid to State and local governments!

This proliferation of so-called categorical grant programs, while recognizing the provision of adequate local public services as a national priority, has threatened to create as many problems as the separate authorizations were designed to solve.

—Large sums of money have been expended on a wide range of projects and programs, many of them hastily conceived and difficult to evaluate.

—A substantial amount of Federal assistance is absorbed in "overhead," with too much overlap, duplication, and red tape.

—Grant allocations are often arbitrarily awarded, with proficiency in making applications frequently substituted for real local need.

—State and local budget costs are distorted, as certain activities are made "cheaper" by virtue of varying matching provisions. Local needs are tailored to fit program specifications, instead of the other way around.

—In some instances, new and frequently competitive State and local institutions have been created, with very little effort devoted to assessing the effectiveness of that course.

—Perhaps most significantly, because the grant approach creates direct ties between functional bureaucracies—usually appointed or career officials—the role of elected public officials at the State and local level has been correspondingly reduced.

It is against the backdrop of this explosive increase in Federal grant programs that present Administration is seeking to bring some order and rationality to intergovernmental financial relations.

The question has never been whether Federal aid to States and localities is appropriate. These governments face increasing expenditure requirements, beyond the capacity of their revenue systems, while the Federal tax system is both efficient and growth responsive. Federal assistance will continue to increase.

The important question today is not whether such aid is appropriate, but whether we can design better systems for delivering Federal program assistance and better methods of fiscal assistance.

Almost immediately upon assuming office, President Nixon undertook several major efforts to improve the effectiveness of our intergovernmental relations. They included reorganization within the executive branch, proposals for con-

397-702 O—71——25

solidation of related assistance programs, joint funding, and the restructuring of existing programs.

But by far the most important as well as the most dramatic step that the President has taken to reform our intergovernmental assistance system is his proposal to the Congress to inaugurate a program of Federal revenue sharing with State and local governments.

When adopted, revenue sharing will constitute a milestone in Federal-State relations. It seeks to restore to the States their proper roles in the Federal system, with a new emphasis on local discretion. More precisely, it proposes to extend additional Federal assistance to our State and local governments in a manner that will permit local officials to respond flexibly to the pressing needs of their own jurisdictions, without being subjected to rigid Federal controls or requirements.

The leading features of the Administration's revenue sharing proposal are as follows:

—First, the total amount to be shared will be a stated percentage of personal taxable income—the base on which Federal individual income taxes are levied. In view of budgetary constraints, the revenue sharing fund will be limited to $275 million in fiscal 1971, but will grow fairly rapidly and reach $5 billion by the mid-'70s.

—Second, the distribution of the fund among the States will be based on a simple formula that assigns primary weight to population, but also gives some weight to tax effort.

—Third, the distribution within each State between the State government and the localities will be likewise based on a formula, so that each unit of general government within a State will be assured a share that is proportionate to its own revenues.

—Fourth, no program or project restrictions will be placed on the use of the funds made available by the Federal Government. Each State, county, city, or town will rely on its own judgment, and allocate the funds as it deems best.

Through revenue sharing, we are trying to deliver a portion of our Federal assistance in a broader and less conditional manner. By a direct distribution of funds to our States and localities, the Federal overhead will be eliminated. By including all general governments on an equivalent basis, the arbitrariness of "grantsmanship" will be removed from the process. Thus, the revenue sharing approach respresents both a quantitative and a qualitative improvement in our Federal aid system. The funds will come not with a list of requirements and restrictions, but with a challenge—to spend the money wisely. I think that is a healthy aspect to inject into our intergovernmental relations.

II. Capital finance

Now I would like to move from the State and local current operating picture to a discussion of capital financing. While much of the financing of State and local public facilities will come from current revenues, and from Federal grants and revenue sharing, it seems likely that States and localities will continue to finance as much as one-half or more of their capital facility outlays through borrowing.

I won't attempt to add my guess to the various projections which have been made for State and local borrowings in the 1970's, but I think it reasonable to expect that the annual growth in State and local debt in the 1970's will not be less than the 9-percent rate of growth in the 1960's. Several factors support the case for an even faster increase in municipal debt—the current backlog of public facilities, the great difficulties which States and localities have in meeting capital needs from their current revenues, and the growing demands for borrowing for new municipal facilities for transportation, education, health, recreation, and, of course, pollution control.

Yet we cannot expect the growth in municipal debt to keep pace with the identification of new capital needs. We need only look at the 1969 experience in the municipal market to see how far below expectations we sometimes fall. As the President stated in his Environmental Message to the Congress of February 10, when he proposed the creation of an Environmental Financing Authority (EFA) to help finance the estimated $6 billion of new municipal borrowings for waste treatment facilities:

"The condition of the municipal bond market is such that, in 1969, 509 issues totaling $2.9 billion proved unsalable. If a municipality cannot sell waste treat-

ment plant construction bonds, EFA will buy them and will sell its own bonds on the taxable market. Thus, construction of pollution control facilities will depend not on a community's credit rating, but on its waste disposal needs."

Gross issues of municipal bonds were less than $12 billion in 1969, compared to over $16 billion in 1968, because market interest rates were too high and legal interest rate ceilings in many States were too low.

Of course, 1969 was an unusually bad year for municipal borrowers because it was a period of extremely tight money. Municipal borrowers are particularly vulnerable at times of restrictive monetary policy since they have become so dependent upon commercial bank purchases of their issues; bank investments are necessarily reduced when money is tight and loan demands are strong. Banks took about two-thirds of net municipal issues in the 1960's compared to only one-fourth in the 1950's; in 1967 and 1968 bank acquisitions accounted for nearly the entire municipal market. But in 1969, preliminary figures show that banks took less than 15 percent of net issues.

Time does not permit a thorough examination of the flow-of-funds statistics and the many complex factors which cloud the outlook for the municipal bond market. There are many pluses and many minuses. But a brief look at some of the major factors suggests that States and localities are going to be hard pressed to meet their growing credit demands at reasonable rates of interest.

On the tax front, municipal borrowers will be in a stronger position relative to other borrowers in the 1970's because the existing treatment of tax-exempt municipal bond interest was not changed by the tax reform actions of the Congress in 1969. Yet, the 1969 act also provided for ordinary income taxation of earnings by banks and other institutions from capital gains on securities, which could prove to be very costly to municipal borrowers. That is, as market interest rates decline—as they have in recent months—the appreciation in the value of outstanding bonds will be much less because of the reduction in the capital gains tax advantage. The consequent reduction in the demand for long-term securities will be especially hard on the municipal market because State and local governments, unlike Federal agencies, rely so heavily on long-term borrowings.

The pressures on the municipal market may be reduced somewhat as a larger portion of State and local needs is met from Federal aid outlays, including revenue sharing, rather than from borrowing. Federal aid has been growing steadily as a percentage of total State and local revenues, from 12 percent in the fiscal year 1961 to over 18 percent estimated for fiscal 1970.

On the other hand, other demands on Federal resources are also increasing, which add to overall pressures on credit markets. In addition to direct Federal budget outlays, a growing volume of private demands are being met through new and expanding programs of Federal credit assistance. The budget for the fiscal year 1971 provides for a decrease of $1.2 billion in net borrowing from the public by the Treasury and other Federal budget agencies—which will help to relieve pressures on credit markets—but there will be added market pressures in 1971 from the estimated increase of over $20 billion in net borrowings from the public by federally guaranteed borrowers and by FNMA, the Federal home loan banks, and other federally sponsored credit agencies. The $20 billion of net borrowings for these Federal credit programs in fiscal 1971 is one-third more than the record $15 billion to be raised for these programs in fiscal 1970 and more than twice the net annual borrowings by States and localities in recent years. These growing demands for Federal credit aid are largely to assist housing—an acknowledged victim of tight money in 1969. In the fourth quarter of 1969 about $3 out of every $5 of residential mortgage credit was provided directly by Federal and federally sponsored agencies.

Yet we cannot achieve our national housing goals without at the same time providing the streets, sewers, schools, transportation, and other public facilities which must accompany new housing. Our concern with housing is part of our overall concern with the quality of our environment. Improving environmental quality clearly requires a balanced growth of both private and public facilities.

But "Where is the money coming from?" Municipal borrowers, like housing borrowers, are also hard hit by tight money. In fact, average tax-exempt bond yields increased much faster than the yields on mortgages or corporate bonds in 1969—rising from about 70 percent of corporate yields in December 1968 to about 85 percent of corporate yields in December 1969.

In addition to the special problems of municipal borrowers during periods of tight money, it is difficult to be optimistic about the municipal bond market if

State and local debt is to continue to grow at 9 percent a year—which is clearly a faster growth rate than we can expect for the gross national product or for the total flow of funds to credit markets.

The basic problem in the municipal market is that the structure is basically wrong. The natural market for municipal bonds is the fast-growing pension and retirement funds and other institutional investors who desire to maintain a large percentage of their investments in safe, long term securities. But these institutional investors are exempt from Federal income taxation, so they have no interest in tax-exempt bonds. Thus we wind up selling municipal bonds to banks and other high tax bracket investors, who are naturally interested in maximizing their earnings through investment in shorter term and riskier instruments such as business loans and stocks. So municipal bond rates must be more competitive with the aftertax returns on stocks and business loans, if the volume of municipal debt is to keep pace with the demands for public facilities.

What then can the Federal Government do to help improve the availability of debt capital to States and localities?

Clearly, the most important action that the Administration can take is to continue the overall fiscal restraint necessary to curb inflation and inflationary expectations, and permit some easing in monetary restraint, thus lowering the general level of interest rates and reducing the cost of borrowing to States and localities. We have already achieved a significant start in this direction, with declines thus far this year in municipal bond rates of a full percentage point. Long-term municipal bond yields declined from a high of about 7 percent in mid-December 1969 to about 6 percent in mid-March.

Assuming that municipalities continue to increase their net borrowings by 9 percent a year, State and local debt will rise from the current level of about $140 billion to over $240 billion in 1976. If we are successful in curbing overall inflationary expectations in the economy, so that municipal bond rates continue to decline from the 7-percent high of last December to, say, the 4 percent to 5 percent levels of 1967 and 1968, the potential interest savings will rival the estimated $5 billion of Federal revenue sharing with the States and localities in the mid-70's. That is, a decrease of 2 percent to 3 percent in the cost of carrying $240 billion of municipal debt will in time permit interest savings to State and local governments of $4.8 billion to $7.2 billion a year, as the higher rate bonds are eventually replaced with issues at the lower rates.

Thus, returning the economy to a more stable growth rate, which will permit lower interest rates, must clearly be the number one objective.

There have been a number of suggestions that the Federal Government help to broaden the market for municipal securities through some sort of a central financing facility, such as the Urbank proposal; or some form of Federal guarantee or interest subsidy on municipal bonds financed in the taxable bond market; or simply Federal subsidy payments to retirement funds and other tax-exempt investors to induce them to acquire municipal bonds. Yet a fundamental objection raised to these proposals—I think, understandably—is that they could lead to greater Federal control over municipal borrowings and thus conflict with the overall philosophy of greater State and local financial independence. While these proposals deserve our careful consideration, I believe there is much we can do in the meantime to avoid adding to the pressures on the municipal bond market. Specifically, I refer to actions currently proposed by the Administration to provide for taxable bond financing of new municipal obligations generated in connection with Federal credit assistance programs for waste treatment facilities and for rural water and sewer facilities. Since these directly aided programs will otherwise require direct Federal subsidies and direct involvement by the Federal Government with the State and local project agencies, there need be no additional element of Federal control accompanying any shifting of the borrowings from the tax-exempt to the taxable bond market.

If, instead of financing some of this municipal debt in the taxable bond market, we were to take the alternative approach of Federal guarantees of tax-exempt bonds for all new municipal borrowings requiring Federal credit aid, we would add to the pressures on State and local interest rates. Since many of these bonds could not have been issued without the aid of the Federal guarantee, the effect of the guarantee would be to add to the total supply of municipal bonds and thus to the overall demands on the relatively narrow tax-exempt bond market.

The estimated $1.9 billion of new federally supported public housing and urban renewal borrowings in fiscal 1971, for example, may well require about 20 per-

cent of the supply of funds available to the municipal market, compared to only about a 12-percent share taken by these two programs in fiscal 1969. If we also offer Federal guarantees, or debt service grants, on tax-exempt bonds for mass transit, municipal airports, health, education, pollution control, and other new public facility programs, it is easy to see in the not too distant future that half or more of the supply of funds to the municipal market will be required merely to finance these Federal aid programs. Also, with Federal guarantees on these tax-exempt bonds, they would be of higher investment quality than the typical municipal issue, so that States and localities borrowing on their own and competing with these federally backed issues will surely have to pay a significantly higher interest rate.

Thus the 1971 budget contains an Administration proposal providing that loans made to rural communities by the Farmers Home Administration and then sold by that agency to private investors with a Government guarantee shall bear taxable, rather than tax-exempt, interest. Under this proposal the Federal Government will pay a portion of the interest, so that the cost to the borrowers will be more in line with the rates paid by municipalities borrowing at tax-exempt rates. The required Federal interest subsidy will involve no net cost to the Treasury, as compared with the alternative of tax-exempt financing, since all of our studies indicate that the Federal revenue loss from tax-exempt interest is significantly greater than the interest savings to the borrower from the tax-exempt feature.

A similar approach to this same problem is the Environmental Financing Authority (EFA) proposed by the President, which I have already mentioned. Under the legislation submitted to the Congress by Secretary Kennedy on February 10, EFA would stand ready to purchase the waste treatment bonds of any public body receiving a project grant from the Secretary of the Interior and unable to raise its share of the project costs at reasonable interest rates. Then EFA will finance these purchases by issuing its own obligations in the taxable bond market.

These new Administration proposals will at least reduce the volume of tax-exempt bonds stimulated by new Federal credit aid programs and will help minimize new pressures on municipal interest rates. Yet the basic problem remains. State and local borrowing demands are growing faster than the supply of long-term investment funds from investors in high income tax brackets. The price of this imbalance is reflected in the interest rate on tax-exempt bonds. The value of tax exemption to each borrower declines as the total volume of tax exempts increases.

Tax-exempt interest has at times been an effective means of revenue sharing—the investor pays the tax to the State or local borrower, by accepting a lower interest rate, rather than to the Federal Government. But the efficiency of this type of revenue sharing declines as borrowings increase and tax-exempt rates rise relative to taxable rates.

III. A concluding note

To sum up, we have only a partial answer to our starting question, "Where is the money coming from?" On the current operating side we are moving in the direction of an effective system of revenue sharing, rather than continued expansion in the number of narrow, categorical grants in aid. We can look forward to greater State and local financial independence as the amount of revenue sharing grows along with the growth in the economy. But on the capital side we do not yet have the tools to do the job. As the volume of local public facility financing increases, the effectiveness of tax-exempt interest as a form of revenue sharing decreases. Unless a more efficient tool is designed, we can expect growing demands for direct Federal credit aid for each high priority program. Will this lead to an expansion of credit program bureaucracies—as opposed to our efforts toward streamlining Federal financial assistance through revenue sharing? If so, it will hardly contribute to the kind of healthy relationship we desire in our intergovernmental relations.

What then is the answer? I am confident it must be something other than making continued demands upon an overburdened tax-exempt market. We will be actively engaged in developing a more effective alternative to that approach during the coming months, and I would certainly welcome the thoughts and suggestions of State and local officials. To work together toward more effective solutions is just what the President's New Federalism is all about. All of us have a vital stake in coming up with workable solutions, so that the needed ex-

pansions in our public sector facilities can take place—and be financed in the most economic and efficient manner.

Exhibit 29.—Remarks by Assistant Secretary Weidenbaum, August 27, 1969, before the National Conference of State Legislative Leaders, St. Louis, Missouri, on a new fiscal federalism

When President Nixon first outlined the principles of his domestic program on April 14, he described one of this country's more pressing needs:

"If there is one thing we know, it is that the Federal Government cannot solve all the Nation's problems by itself; yet, there has been an over-shift of jurisdiction and responsibility to the Federal Government. We must kindle a new partnership between government and people, and among the various levels of government."

The need for such a new partnership was never stronger than it is today. The evidence of "over-shift" is readily apparent. Just to catalog the current domestic programs of the Federal Government now requires a book of more than 600 pages.

In retrospect, it is quite clear that this large flow of power from the private sector and from the cities and States to Washington did not just happen of its own accord. It was induced initially by economic crises. It was further stimulated by mobilization for major war and the threat of major war. It has been accelerated by a variety of efforts of the Federal Government to cure major domestic ills through the power of Federal programs and Federal money.

Yet for all this emphasis on the assumed power and influence of our national Government, the limits to its effectiveness have become all too apparent. Too often, Federal funds have been wasted or used inefficiently. Too often, a bountiful promise has been followed by a lack of performance. Too often, the application of some centrally formulated regulation has failed to accommodate the diversity of local situations. The result has been some erosion of public confidence in the Federal Government's ability to serve as a truly effective instrument of social progress.

State and local governments are, in some cases, better able to deal with these problems. These governments have also experienced rapid growth. Indeed, since World War II, their expenditures, employment, and indebtedness have increased significantly faster than those of the Federal Government. Yet the services the public has expected them to provide—education, transportation, health, and many more—have often been beyond the capacity of local public resources to finance and hence to deliver.

The Federal Government has not been oblivious to the needs of State and local governments. Federal grants in aid to States and localities will pass the $25 billion mark this fiscal year—up from $7 billion in 1960. This type of program or categorical assistance has represented an increasing portion of both total Federal outlays and State and local revenues. But, too often, it has also been accompanied by an ever growing maze of program restrictions, formulas, matching provisions, project approval requirements, and a host and variety of administrative burdens. The result has been the creation of a complicated network of intergovernmental assistance efforts with many inefficiencies and unworkable features.

This Administration intends to correct the inefficiencies and inflexibilities of the present system while assisting the States and localities in a more substantial way than in the past. The need for such assistance can be clearly demonstrated. Public finance experts of all political persuasions have noted that under the existing income tax structure Federal revenues increase faster than the national economy, while Federal expenditures for current programs (except in wartime) are likely to rise more slowly. The reverse is true for States and localities. Their revenues, based heavily on sales and property taxes, do not keep pace with the rate of national economic growth. In contrast, their expenditure requirements for existing programs tend to rise far more rapidly. The resulting "fiscal mismatch" of potential Federal surpluses and State-local deficits is the financial basis for Federal aid.

This is not a partisan point that I am making. The "fiscal mismatch" has been noted by analysts of all political persuasions. In preparing the Administration's revenue-sharing plan, we carefully reviewed the literature on the subject. I was

personally struck by the widespread support for introducing a new and broader type of Federal financial aid to State and local governments—support by Democrats as well as Republicans, liberals as well as conservatives, academic experts as well as political leaders, and big city dwellers as well as smalltown residents.

The challenge, then, is to redesign our system of intergovernmental assistance to achieve the results we all desire:

—a better allocation of total public resources,
—more responsiveness in public institutions,
—more control over local events by local authorities,
—greater program and budget flexibility for locally-elected officials,
—more efficient, less encumbered forms of Federal assistance.

The President has accepted this challenge. On August 13, he proposed to the Congress fundamental revisions in both the spirit of our intergovernmental relations and the substance of our intergovernmental assistance system. As he put it, we are seeking to build a "New Federalism," with a return to the States, cities, and counties of the decision-making power rightfully theirs. At the heart of this effort is the proposal for sharing Federal revenues with the State and local governments. Revenue sharing can provide both the encouragement and the resources for local and State officials to exercise leadership in solving their own problems.

I want to take this opportunity to outline in some detail the essential elements of our revenue-sharing proposal. I find it most helpful to describe it within the framework of four major questions.

First, how do we determine the total amount to be shared?—We propose to establish a permanent appropriation, automatically determined each fiscal year, which will provide revenue-sharing funds equal to a stated percentage of personal taxable income—the base on which Federal individual income taxes are levied. To provide for an orderly phase-in of this program, the fiscal year 1971 percentage is one-sixth of 1 percent, or about $500 million. Subsequent fiscal year percentages increase annually up to a permanent 1 percent for the fiscal year 1976 and thereafter. On this basis, we estimate an appropriation for the 1976 fiscal year of about $5 billion. We think that it is important to make a start soon, rather than waiting until the budget permitted a larger program. A 5-year-transition is a desirable approach for a brand new activity.

Like most revenue-sharing proposals, our plan uses aggregate personal taxable income as the base for computing the shared amount. This tax base has the advantages of relative stability, steady growth, and independence from tax rate changes. Furthermore, it insures the taxpayer that State and local officials will not become advocates for higher Federal tax rates in order to gain revenue-sharing funds.

Second, how are the funds distributed among the States?—We propose a distribution based on each State's share of national population, adjusted for the State's revenue effort. The revenue effort adjustment is designed to provide the States with some incentive to maintain, and even expand, their efforts to use their own tax resources to meet their needs. Revenue effort is defined in the customary fashion—the ratio of total general revenues collected by a State and all its local governmental units during a given fiscal year to the total personal income of that State. A simple adjustment along these lines provides a State whose revenue effort is 10 percent above the national average with a 10-percent bonus above its basic per capita portion of revenue sharing.

One important point about revenue effort should be noted: It is a relative and not an absolute measure, since revenues collected are expressed as a percentage of personal income for each State. It does not, therefore, reward "wealthy" States—that is, those States with high average income levels. Indeed, some of the wealthier States on a per capita income basis have relatively low revenue efforts, and some of the poorer States have high revenue efforts. In a direct way, the revenue effort provision rewards those States that try harder to meet their own needs with their own resources.

The State-by-State distribution is primarily determined, then, on a per person basis, with revenue effort added as a minor adjustment. (To compute a State's share of the revenue sharing fund, the arithmetic is quite straightforward: one simply computes the product of that State's population times its revenue effort and divides the result by the sum of the products so computed for all 50 States and the District of Columbia.)

Our proposal does not contain a so-called equalization provision, whereby low-income States receive more per person than high-income States. We have found,

in the course of many discussions with State and local officials, that variations in State per capita income are simply not a good measure of need. In fact, many of our most urgent domestic problems are found in the urban centers of the States with high per capita income. Therefore, we have chosen to keep the distribution among States as neutral as possible, basing it primarily on population.

Third, how are the funds distributed within each State?—Including local governments in Federal revenue sharing is a relatively new idea. We spent more time trying to perfect the local "pass-through" than on any other part of the revenue sharing plan. You cannot use a simple per capita distribution among local governments because of the overlapping jurisdictions of cities and counties. You cannot use a measure of "need" because there are no adequate statistics on income levels by city and county.

This is the approach that we did come up with: We propose that each State share a given proportion of these funds with its local governments. The allocation of a State's payment among its local governments is carefully prescribed by formula. First, the total proportion which a State shares with its local governments corresponds to the ratio of general revenues raised by these local governments to the combined total of revenues raised by the State and all its units of local government. Second, the proportion of this local share which an individual unit of general government receives corresponds to the ratio of its own general revenues to total general revenues raised by all general purpose local governments in the State.

There are some features of this local distribution which deserve emphasis. For one, we are proposing to share revenues with *all* general purpose local governments—cities, towns, and counties—and *only* general purpose local governments. There is no minimum size requirement for a locality to participate, and no special or school districts are eligible for direct sharing. These features are fully consistent with the spirit of the New Federalism and the purposes of revenue sharing. That is, all general governments should be included, and no program or project restrictions should be placed on the funds. To have distributed dollars directly to fire districts, or school districts, or drainage districts would have amounted to widespread earmarking of substantial funds for specific programs. Our desire is to avoid that and to leave such budget allocation decisions up to the responsible State and local officials.

It may be useful to analyze how the local pass-through would operate. Limiting eligibility to general purpose local governments has an important impact on the other key feature of the local distribution formula—allocation of funds on the basis of general revenues raised. A distribution based on revenues raised has several important advantages: it makes allowance for State-by-State variations; it tends to be neutral with respect to the current relative fiscal importance of State and local governments in each State; and it provides a method for allocating among governmental units with overlapping jurisdictions. By sharing funds only with municipalities, counties, and townships, the State government portion of revenue sharing is enlarged by the relative proportion of special and school district revenues to total revenues.

This result has a direct effect on potential State and local allocations of revenue sharing funds to particular programs and projects. In those areas where the functions elsewhere performed by a special purpose district or a school district are carried on directly by a general purpose government, then that government's portion of revenue sharing will be enlarged by the proportion of its revenues that it raises for such functions. Therefore, those officials responsible for managing and administering the special functions involved will look to the general purpose local government for any additional funds. On the other hand, if a special purpose or school district exists independent of the local government, then the State government's portion of revenue sharing will be enlarged by the proportion of total revenues that are raised by these districts. In these cases, the officials responsible for managing and administering such district will look to the State government for additional assistance. By this distribution procedure, the Federal revenue sharing program avoids directing or influencing the allocation of funds to particular governmental functions. Such allocation decisions will be made by State and local officials in response to the needs of their jurisdiction.

There is another important point which should be made regarding the allocation of funds on the basis of revenues raised. Some observers have jumped to the conclusion that such a distribution procedure rewards the wealthy

suburb at the expense of the central city. This is simply not a valid generalization. Revenue-sharing funds go to local governments in proportion to their share of general revenues raised, not in relation to the income level of their residents. We are unable to find evidence to support a contention that suburban governments raise more revenues per capita than urban governments. In fact, the reverse is true in many specific instances. For example, New York City raised $404.81 per capita in general revenues in 1967–68 (the latest figures available), while New Rochelle raised $152.55 and Mount Vernon $121.89. For all cities of 1 million or more, the average per capita revenues were $255.95, compared to $78.74 for cities with population of less than 50,000.

One final point about our proposal for distribution of funds within each State deserves mention. In order to provide local flexibility, we will permit a State—working with its local governments—the option of developing an alternative distribution plan. Any alternative plan, however, must receive sufficient support from both the State and the local governments, large and small.

The fourth major question is: What restrictions or qualifications are imposed on the use of revenue-sharing funds?—I have already expressed our determination that these funds should have no program or project "strings" connected with their use. A fundamental purpose of revenue sharing is to permit local authorities the programing flexibility to make their own budget allocation decisions. This purpose is basic to the spirit of the New Federalism: a return to the States and localities of their rightful powers and responsibilities.

The requirements we propose are minimal: (1) that the States carry out the requirement to share funds with their local governments; (2) that this local sharing be in addition to current sharing efforts; and (3) that all recipient governments provide a reasonable amount of information reporting to the Treasury Department for the funds they receive.

We welcome the thoughts of State and local governments on how best to implement these general concepts. We have had the benefit of numerous helpful suggestions from governors, mayors, county executives, legislators, academic experts, and other interested parties. In preparing this specific proposal, we have attempted both to draw on past efforts and to go beyond them.

I believe that the Administration's revenue-sharing plan contains several important improvements over some of the earlier proposals: (1) it includes local as well as State governments, and (2) it leaves to the State and local governments the decision as to how to allocate the funds among programs and activities. However, we claim no monopoly on wisdom. We welcome further suggestions and advice.

I would like to conclude by citing what I believe are the most advantageous characteristics of the Administration's revenue-sharing plan.

—*It is simple.* No new Federal bureau or agency is needed; the funds are distributed on the basis of readily available objective statistics, as clearly specified in the plan. None of the Federal revenue-sharing money is to be used for "overhead" or other expenses by the Federal Government.

—*It is automatic.* State and local governments can count on the funds in their own fiscal planning. The money for revenue sharing is automatically available each year and is geared to the growing personal income tax base of the Nation.

—*It is fair.* The funds go to every State, every city, and every county in the Nation. All areas are included—urban and rural, large and small, rich and poor, industrialized and agricultural.

—*It has no strings.* The State and local governments are free to exercise their discretion over the use of the funds. Decisionmaking authority, as well as money, is returned to State and local governments.

—*It is neutral.* The State-by-State distribution is based primarily on where people reside. The allocation among governments within a State is based on the existing distribution of financial responsibilities among the various units of government, as decided in each area.

President Nixon's call last April for a new partnership among the various levels of government has received an enthusiastic response from many quarters. Revenue sharing is an integral part of such a partnership. It is a program which has long enjoyed bipartisan professional and political support. That is the measure of its merit. Its enactment will represent an important step toward establishing a more effective and better working Federal system of Government.

Exhibit 30.—Remarks by Assistant Secretary Weidenbaum, May 18, 1970, before the Chemical Forum, Washington, on the progress of revenue sharing

It has just about been 1 year since the Administration's Committee on Revenue Sharing started functioning. As chairman of the committee, I believe that it is in order for me to present a progress report, indicating both accomplishments to date as well as future activities.

It certainly is premature to start crowing; but as I look back, I find that we have come a very long way in the past 1 year. As you may know, revenue sharing has a fairly extended history. For many years, economists in universities and research institutions have been developing different types of plans whereby the Federal Government can share a portion of its financial resources with the States and with local governments. Also, numerous bills have been introduced in both Houses of the Congress, by Democrats and Republicans, liberals and conservatives, by men and women from every region of this Nation.

However, until this past year, the prospects for any action were poor, for two reasons. First of all, there was no agreement on what specific form revenue sharing should take. There were dozens of different proposals, each with some merit but with no common focus. Moreover, no Administration in Washington—and certainly no President of the United States—had come out in support of the general idea of revenue sharing, much less in favor of any specific approach.

As you know, both of these obstacles were overcome, and I might add, ahead of our original schedule. As I reflect on it, our approach was quite simple and straightforward. Last summer, the President called into the White House a representative and bipartisan group of governors, mayors, and county officials to assist us in developing the Administration's revenue-sharing approach.

Thus, the approach that we came up with was not imposed unilaterally but was the result of a joint effort by Federal, State, and local elected government officials. One of the key participants, Governor Daniel Evans of Washington, described the meeting as follows:

"There was remarkable agreement among those attending this meeting over the principles which should be embodied in a revenue-sharing proposal. This agreement represents a hallmark in new governmental relations."

That effort resulted in agreement on what have come to be the basic principles of revenue sharing:

1. An automatic distribution each year of a designated portion of Federal revenues, based on objective criteria spelled out in law.
2. An equitable sharing of the money among State and local governments, also spelled out in clear formulas contained in Federal law.
3. No "strings" or restrictions on the use of the money. In effect, the funds become State and local money, which they can spend for any lawful purpose, as they see fit, with the same discretion that they spend their own money.
4. Inclusion of all general purpose local governments, regardless of size or location. Many of the earlier plans omitted local governments or only included the largest ones. Thus, the intention was clear; revenue sharing was going to be a fair, equitable, and broadly based method of providing a portion of the Federal tax base to help State and local governments meet their urgent problems.

Indeed, there were two fundamental differences from any other Federal program: (1) not just the expenditure of money was being decentralized, but the decisionmaking power over its use, in an effort to strengthen our Federal form of government, and (2) by providing for an automatic operation, no new Federal overhead function was being set up; 100 percent of the revenue-sharing fund was going to be disbursed to State and local governments.

It was this commonly agreed upon approach that President Nixon presented in his Message to the Congress of August 14, 1969, the first Presidential revenue-sharing message, certainly since Thomas Jefferson's second inaugural address. The reaction was strikingly good.

The Baltimore Sun called it "a bold and broad-visioned proposal." Business Week labeled it a "compelling idea," and The New York Times stated that it "marks a turning point not only in fiscal policy but in the whole relationship of Federal, State, and local government."

Perhaps that was not too surprising in view of the fact that the Gallup Poll consistently has reported strong approval of the approach to revenue sharing which has been adopted by this Administration. In May 1969, the Gallup Poll

showed 71 percent in favor of having a percentage of Federal income taxes returned to State and local governments for use as they see fit.

This approach to revenue sharing has now been enthusiastically endorsed by the National Governors' Conference, the U. S. Conference of Mayors, the National League of Cities, the National Association of Counties, the National Legislative Conference of State Officials, and by State and local leaders in every part of this Nation.

The governors endorsed revenue sharing with the following language:

"The National Governors' Conference has supported by resolution since 1965 the concept of revenue sharing as vital to the continuation of a strong Federal system * * *. The Nation's governors stand ready to work with you closely and responsibly to achieve this vital result * * *."

In a joint statement, the National League of Cities and the Conference of Mayors declared when they "enthusiastically welcomed" the Administration bill:

" * * * it is vitally important to establish the principle of revenue sharing at the earliest possible moment so that steps will be triggered to begin the long, hard struggle to restore balance to our Federal system."

The counties echoed the sentiment expressed by the State and city governments:

"We are pleased that the Administrations' bill has the general wholehearted support of the Nation's mayors and governors. Certainly, all must enthusiastically concur with the President when he states that one of the purposes behind Federal revenue sharing will be a 'new emphasis on and help for local responsiveness, and to provide both encouragement and the necessary resources for local and state officials to exercise leadership in solving their own problems.'

"The National Association of Counties pledges its wholehearted and enthusiastic support for this much needed harbinger of a basic change in our concepts of federalism."

My colleagues and I have been devoting a major part of our energies to explaining how revenue sharing will work to the many, many groups that have invited us to meet with them. I am pleased to report that the response has been overwhelmingly favorable, varying from carefully considered support to that enthusiasm that warms the heart.

Certainly the variety of groups that we have met with is impressive itself—varying from national conventions of thousands of delegates from all over the country to statewide meetings to civic groups in a single city. The support for revenue sharing has come from every region of this Nation, from every size of community, and from every type of organization.

Of the many hundreds of letters that the Treasury has received on revenue sharing, it is hard for me to recall more than one or two unfavorable ones. I cannot think of any other proposal that has engendered such a favorable ratio of response.

The many thousands of miles that I have traveled during the past year and the literally tens of thousands of fellow citizens that I have talked to on revenue sharing have fully convinced me that this is a real need of our country, that this is an idea that when thought through appeals to Americans of all political persuasions and all walks of life.

Well, then, if the support is so broadly based, why hasn't revenue sharing been enacted into law? This is a question that I frequently get, whether I am lecturing on the subject at our colleges and universities or meeting with civic groups or addressing audiences of business or professional men and women. My response is usually along the following lines.

Despite its academic pedigree, revenue sharing is a relatively new idea. It takes time for new ideas, no matter how praiseworthy, to be enacted into law. Certainly, the initial congressional response was quite good. The revenue-sharing bill that our Committee drafted was introduced in the Senate by Senator Howard Baker of Tennessee and 32 other Senators, and referred to the Committee on Finance. In the House of Representatives, the bill was introduced by Representative Jackson Betts of Ohio and 87 other congressmen and referred to the Committee on Ways and Means.

One indication of the congressional interest and reaction is the numerous statements on revenue sharing which have been inserted in the Congressional Record during the past year. They virtually all have been favorable.

Well, then, if the level of congressional as well as public support and interest is so high, what is holding it up? At this point, I usually start to explain how the Government is organized and, particularly the way in which the Congress

functions. The fact of the matter is that the committees to which the revenue sharing bills have been assigned have not yet held hearings.

Of course, this can be discouraging, particularly to many of our young people who do not hesitate to needle me on the responsiveness of our institutions to the problems that we face. I am not sure that my response is altogether satisfying to them, but I point out the need for patience coupled with persistency and perseverance. And let me assure you that we will persist and we will persevere until revenue sharing becomes a reality. I am pleased to report that several members of the Ways and Means Committee have endorsed revenue sharing with enthusiasm.

One of the most heartening developments that I have witnessed is the rising efforts on the part of State, local, and private citizen groups to promote revenue sharing. In recent weeks, the national associations representing the governors, mayors, and county officials held an unprecedented joint press conference in Washington with a single subject and a single purpose: to urge the Congress to enact revenue sharing as promptly as possible.

Let me quote from a joint statement issued last month by the head of the Governors' Conference (Governor Love of Colorado), the head of the National League of Cities (Mayor Curran of San Diego), the head of the Conference of Mayors (Mayor Maltester of San Leandro), and the head of the National Association of Counties (Judge Fowler of Shelby County, Alabama):

"Officials of State and local government join in expressing a most urgent need for congressional action on Federal revenue-sharing measures this year. Our intergovernmental fiscal system is in serious structural jeopardy. As a Nation, we are no longer able to produce adequate revenue from existing State and local fiscal sources to meet the cost of overwhelming program and service responsibilities at these levels. We view revenue sharing—the federalization of the Federal Government's personal income tax base—as a far reaching and imperative structural change to bring direly needed relief to this fiscal condition."

Let me repeat what I consider to be their key words: "urgent", "imperative", "direly needed."

Revenue sharing is the Treasury Department's number one legislative item for 1970, just as tax reform was our highest priority effort last year. I can assure you that you will be hearing much more about this basic part of the Nixon Administration's New Federalism during the rest of 1970.

Personally, I am convinced that it is just a matter of time until a program with the strong and widely-based public support that revenue sharing has obtained will ultimately be adopted. Of course, the sooner the better, but mine is a counsel of patience and perseverance. We have come a long way since President Jefferson first urged in 1803 that Federal revenue be utilized for "a just reparation among the States * * * applied * * * to rivers, canals, roads, arts, manufactures, education, and other great objects within each State."

Law Enforcement Developments

Exhibit 31.—Remarks by Assistant Secretary Rossides, April 16, 1970, before the 76th Anniversary banquet of the Bronx Board of Trade and Chamber of Commerce, Bronx, New York, on President Nixon's antiheroin action program

I would like to discuss with you tonight President Nixon's action program to curtail the flow of heroin into the United States, to curtail its use in the United States, and Treasury's role in this program.

The antiheroin program is a major part of the overall antidrug abuse program of this Administration. The problem of drug abuse and particularly heroin abuse was not created overnight, and it will not be cured overnight. The drug problem of the 1950's became the drug crisis of the 1960's. It will take hard work and cooperative effort in the 1970's by many groups on the Federal, State, and local levels to win this battle. I bring you a message of hope tonight but also a message of hard work ahead for all of us.

President Nixon recognized the problem during his campaign for the Presidency in a statement that he made at Anaheim, California, on September 16, 1968. In that statement, the President said:

"Four weeks ago, after the convention at Miami Beach, I came out to Mission Bay to rest and to work. When I was there, a letter was delivered to me from a

19-year-old girl. She described to me her involvement with narcotics from the time she was 16 years old; she told me how many of her teen-age friends had also become hooked on drugs; she gave the details of the horrible life they led, and the gruesome things they did to support their habit. She asked me what I could do to help her generation, and because she was still on drugs she never signed her name.

"This was not some statistic that sent me this letter. It was a human being, someone's daughter—and in a letter like this the evil of narcotics comes through a good deal clearer than it does from reading statistics or a local newspaper.

"I don't have to tell you this story, many of you are aware of the wholesale destruction of lives within your own area." * * *

"Let us begin to face facts—and to act upon that knowledge. Narcotics are the modern curse of American youth. Just like the plagues and epidemics of former years, these drugs are decimating a generation of Americans."

How many of you know people in your neighborhoods, perhaps on your street or perhaps in your family, who have become victims of drugs?

That young girl asked what the President could do to help her generation.

The President has acted on several fronts:

First, he has elevated the drug problem to the foreign policy level and, indeed, to the level of personal Presidential initiatives in foreign policy.

Second, he has stressed the role of education, research and rehabilitation and provided for increased funds and emphasis in these essential areas.

Third, he has recommended differentiation in the criminal penalty structure between heroin and marijuana.

Fourth, he has provided a substantial increase in budgetary support for law enforcement in this area.

Fifth, he has stressed the need for cooperation with the States and the involvement of the private sector.

In short, the President has highlighted the multidimensional aspects of the problem and has moved on many fronts, both governmental and nongovernmental, to meet a problem of crisis dimensions.

For the first time in history, we see not only the total involvement of the institution of the Presidency in the battle against drug abuse, but also the personal involvement of the President himself.

Foreign policy

President Nixon has made the drug problem a foreign policy issue and has taken personal initiatives in eliciting the cooperation of the governments of Turkey, Mexico, and France.

Once President Nixon had raised drug abuse to the foreign policy level, the Department of State, as the primary representative for communicating to foreign governments the vital interests of the United States, became responsible for doing everything necessary to advance our drug abuse policy through diplomacy.

Secretary of State William P. Rogers has given high priority and personal leadership to the State Department's efforts in this area. Last year, he appointed a senior Foreign Service Officer as his Special Assistant for Narcotic Matters in order to better coordinate and push forward the various elements of the campaign against narcotics which have foreign relations implications.

This new role of the State Department in the Administration's war on narcotics has had a unique and immediate impact. In the past, the primary contact with foreign governments in this area had been almost exclusively limited to the enforcement level. Through the use of diplomacy, however, we have, in my judgment, achieved a substantial advance in our objectives. As Under Secretary of State Elliot Richardson observed recently:

"We have made processing and producing nations aware of the terror drugs have brought to our society. We have stressed that what has happened here can happen to them.

"Diplomacy is * * * a means of achieving national objectives. In the case of narcotics I believe we have successfully employed it to transmit our sense of urgency to * * * [Turkey, Mexico, and France] so that, even though their own immediate interest in tighter measures of control is a good deal less acute than our own, they are moving ahead with encouraging speed."

Our first, and to date most fruitful diplomatic advance, was made with the Government of Mexico. It is estimated that 15 percent of the heroin and 85 per-

cent of the high-potency marijuana consumed in the United States is illegally grown and refined in Mexico and smuggled into the United States.

Operation Cooperation, the successor to Operation Intercept, has led to a meaningful working relationship between the two governments in the area of opium poppy and marijuana eradication and smuggling suppression. Our very able Ambassador to Mexico, Robert McBride, has the drug problem on the top of his priority list. I predict that the two governments will be working together in ever-increasing harmony and effectiveness.

It is estimated that 80 percent of the heroin entering the United States annually originates in Turkey. That is why, as Mr. Richardson said, "Turkey has figured so prominently in our diplomatic activities on narcotics." Our efforts have been aimed at helping the Government of Turkey bring the illicit opium traffic completely under control. We are in the advanced stages of negotiations with the appropriate levels of the Turkish Government. Our Ambassador to Turkey, William Handley, also has the heroin problem at the top of his priority list.

Our diplomatic efforts with the Government of France have also been helpful. France has become concerned with its own increasingly serious heroin problem and has launched a major drive against the operators of clandestine heroin production laboratories operated on her soil, often by foreign traffickers.

Research

The national dialogue on drug abuse has demonstrated that our knowledge of many of the most abused drugs is far from adequate. Little is known, for example, of the long-range effects of the continued use of marijuana and the vastly more powerful LSD. We do know that there are no known beneficial effects, and that both can induce psychological dependency and loss of goal orientation. Far more must be known, however, about LSD and marijuana if we are to prevent their use through persuasion.

In this connection, the outstanding contribution of Dr. Stanley Yolles, Director of the National Institute of Mental Health of HEW, to the Administration's program, should be noted. It is under Dr. Yolles' auspices that the bulk of the research sought by the President will be accomplished.

Differentiation in penalty structure between heroin and marijuana

But Dr. Yolles has already made his mark. It was his cogent and articulate testimony which laid the groundwork for the Administration's decision to reverse the traditional approach to marijuana by differentiating in the penalty structure between heroin, a true narcotic, and marijuana, an hallucinogen. Both are treated the same under present Federal law. The President's decision to seek revised penalties for marijuana violations has gone far toward achieving another Administration goal: credibility with the young.

Education

The drug abuse problem is one of both supply and demand, and President Nixon's response has been guided accordingly. While we are battling to eliminate the supply at the source and to stop the smuggling of illicit drugs into the United States, the goal of eliminating the demand for drugs among our young is, in my judgment, also central to success.

The key to eliminating the demand for drugs lies in education. President Nixon is convinced that much of our problem is attributable to the mass of misinformation and street corner mythology which has filled the vacuum left by our failure in the past to deal with the young on a mature, reasoned and factual basis. In the past, government took the easy but ineffective route of "do as I say because I say so" rather than the more difficult route of clearly presenting the facts necessary for informed decision.

Again stressing the theme of prevention through persuasion, on March 11 President Nixon released a million dollars to the National Institute of Mental Health for marijuana research, and another million dollars to NIMH for an expanded program of public education and information on drug abuse, including creation of a national clearing house for drug abuse information.

Increased enforcement budgets

Drug law enforcement is a difficult and dangerous business. It demands the highest standards of professional competence of enforcement agents. President

Nixon has increased substantially the budgets of the two Federal agencies primarily concerned with drug law enforcement—the Bureau of Narcotics and Dangerous Drugs and the Bureau of Customs.

The burdens carried by these agencies are illustrated by the record of the Treasury agents of the Customs Service, who in 1969 worked over 111,000 hours on their own time without pay to meet the challenge of drug abuse.

In enforcing the law, only half the job is done when the suspected violator is arrested. Society is not protected until a jury is persuaded of guilt beyond a reasonable doubt. Skillful prosecution is necessary.

The Department of Justice is meeting this challenge with a new aggressiveness inspired by this Administration, backed up by substantial funding for the narcotics prosecution section of the Department.

Cooperation with the States and the private sector

No one is more aware than President Nixon of the vital and necessary role of the States in the battle against drug abuse. In December, the President was host to the State Governors at a White House conference designed to produce the closest cooperation between the Federal and State governments.

The State of New York, of course, under Governor Rockefeller, has led the way for all the States in combatting drug abuse.

It was under Governor Rockefeller's leadership and at his personal initiative that New York's pioneering mandatory treatment program for addicts was born. For the first time, as the Governor said, we have a "program for getting addicts off the street where they endanger others and under confinement and treatment were they can help themselves."

In January, Governor Rockefeller again broke new ground when he proposed the Nation's first State methadone maintenance program which it is hoped will in time return up to 80 percent of the hard-core heroin addicts to an orderly and productive life.

If the State of New York provides the finest example of State participation in the antidrug campaign, the Advertising Council shows the way for the private sector.

In a campaign under the auspices of the National Institute of Mental Health, the Advertising Council is using youth-oriented media to educate rather than to frighten. The Council reports "fantastic interest" in the program, directed at the intellect rather than the emotions. It is a perfect example of President Nixon's theme of prevention through persuasion.

Treasury's role in the President's antiheroin action program

Treasury is playing a major role, primarily through its Bureau of Customs, in the enforcement phase of the President's antiheroin action program.

In his September 16, 1968, Anaheim, California, speech, the President stated:

"Let us recognize that the frontiers of the United States are the primary responsibility of the United States Bureau of Customs. I recommend that we triple the number of customs agents in this country from 331 to 1000."

The President has followed through on that pledge. In his July 14, 1969, Message to the Congress on the Control of Narcotics and Dangerous Drugs, he stated:

"The Department of the Treasury, through the Bureau of Customs, is charged with enforcing the nation's smuggling laws. I have directed the Secretary of the Treasury to initiate a major new effort to guard the nation's borders and ports against the growing volume of narcotics from abroad. There is a recognized need for more men and facilities in the Bureau of Customs to carry out this directive."

This directive was backed up with a substantial antinarcotic supplemental budget request. The Congress responded magnificently and passed in late December of 1969 an appropriation for $8.75 million for 915 additional men and for equipment.

The leadership role of Congressman Tom Steed of Oklahoma, Chairman of the House Appropriations Subcommittee which handled the President's request, and the then ranking minority member, Congressman Silvio Conte of Massachusetts, in support of the supplemental appropriation request, is an outstanding example of bipartisan action in our Nation's war against drug abuse.

The House Appropriations Committee Report, in relevant part, stated:

"The Department testified that every available index indicates that problems associated with the use of marijuana and narcotics in the United States have

reached major proportions. Drug usage is now widespread both geographically and among strata of society in which previously such usage was rare. Usage among college and even high school students is reported as commonplace.

"In order to deal with this problem, the Department proposes to substantially increase the law enforcement effort against smuggling. The whole problem is put into sharp focus by the following testimony from the Treasury Department:

> 'Almost all of the marihuana, all of the hashish, all of the cocaine, and all of the smoking opium used in the United States is smuggled into this country.'

" 'Operation Intercept,' a recent blitz law enforcement effort along the Mexican border, demonstrated rather conclusively that smuggling activities can be substantially reduced by increased enforcement efforts. The committee strongly supports the Department's objective of reducing to a minimum the smuggling of this contraband into the United States. The committee specifically allows the 915 additional positions requested and urges the Department to move ahead on this project as rapidly as practicable."

Customs has moved expeditiously to implement the supplemental appropriation, and I am pleased to report that the Commissioner of Customs, Myles J. Ambrose, has informed me that commitments have been made for the entire number of 915 additional personnel authorized by the supplemental appropriations and they will all be on board by June 30, 1970. A substantial amount of this new manpower will be assigned to the New York metropolitan area, as well as to the Mexican and Canadian borders and other trouble spots, to interdict the flow into the United States of narcotics, marihuana, and dangerous drugs.

Narcotics intelligence groups

Customs has established international narcotics intelligence groups with offices in New York, Houston, and Los Angeles. Additional intelligence offices will be opened in Miami and Chicago in the near future. These groups will provide better evaluation of the information relating to smuggling into the United States. They will permit more extensive dissemination of intelligence throughout the national and international enforcement community.

Automatic data processing

In support of the intensified enforcement effort, the Bureau of Customs is currently installing a central ADP intelligence network which will provide a comprehensive bank of suspect information on a 24 hour a day basis, to agents and inspectors. On April 1, 1970, Customs established a computer center to process enforcement intelligence information, and a trained operation and programming staff is supporting the data processing center located in San Diego, Calif. Expansion of the system to cover all inspection stations along the Mexican border will be completed by November 1970.

The initial data base has been compiled from existing suspect records. With the coordinated efforts of the various Customs offices, rapid growth of the data base is expected. Data concerning suspect aircraft and vessels are being added to the system. A task force has begun to define nationwide law enforcement intelligence needs of the Bureau of Customs. This study will be completed by November 1970.

Facilities

New Customs facilities along the Mexican-United States border are being acquired and present facilities are being enlarged to accommodate the additional Customs enforcement personnel. At some ports, these improvements involve creation of additional vehicle and pedestrian lanes and rearranging traffic patterns to provide more expeditious handling of vehicles and persons crossing the border. At others, trailers and prefabricated equipment are being acquired for use until such time as permanent facilities can be installed.

Laboratories

New laboratories have been established in San Antonio, Tex., and San Diego, Calif., with the analysis of narcotics as their primary purpose. These laboratories will provide more rapid identification of narcotics and dangerous substances and thus accelerate the judicial processing of violators.

Training

Customs has embarked on a major training program stressing anti-narcotics smuggling. This training has been particularly important for inspectors and commodity specialists. Training will continue to be a major activity as we process the 915 new employees authorized by the supplemental appropriation.

Additional equipment

The supplemental appropriation provides for five additional aircraft, four additional boats, and 148 additional interceptor-type automobiles.

Radio communications

The Bureau of Customs is modernizing and supplementing present radio communications in order to obtain complete coverage along the Mexican border. This improved communications system will contribute greatly to the effectiveness of both United States and Mexican officials in Operation Cooperation.

Intensified inspection program

A program of intensified examination of passengers and their baggage arriving at all major airports, and of foreign mail parcels and commercial cargo has been instituted.

Customs' Office of Operations has created a new Enforcement Inspection Section which will be responsible for developing plans and procedures for carrying out the enforcement responsibilities of the augmented inspection force.

A team concept was initially tested in Philadelphia and Buffalo for agents, inspectors, and commodity specialists jointly to select and examine commercial cargo shipments for both contraband and revenue purposes. Based on their activity and success, guidelines have been established. This team concept will be in operation throughout the United States by the end of May 1970. New agents entering on duty throughout 1970–71 will permit increased coverage and blitz operations at airports of entry.

It should be noted that the vast percentage of Customs seizures are made by the inspectors without advance information, and that Customs seizes more drugs than all other Federal agencies put together.

Customs is presently reviewing all its procedures and methods with a view to increasing its enforcement effectiveness, particularly in procedures called preclearance and the Accelerated Inspection System. Treasury and Customs will be consulting with industry and Government representatives to review each preclearance operation to determine if enforcement can be raised to a satisfactory level.

The Accelerated Inspection System, which has proved so successful in facilitating the flow of passengers, has been under evaluation for its effectiveness in suppressing smuggling. Preliminary study indicates that enforcement must be improved while still preserving the benefits of facilitation.

Cargo theft study

Treasury has now under serious consideration by a special task force proposed administrative actions and legislative proposals to prevent theft of international cargo at all ports of entry—airports and seaports—throughout the nation. This includes, of course, New York's Kennedy International Airport.

Because of the jurisdiction of the Bureau of Customs over theft from Customs' custody and because of its existing presence and responsibilities at all ports of entry, Customs is uniquely qualified to take the lead in solving this problem. A byproduct of this effort will be increased risks for the drug smuggler.

Public support and cooperation

In this situation, we cannot hope to do business as usual. Our current anti-smuggling enforcement drive will mean that more travelers are going to be inspected more closely, more baggage examined and new inspectional techniques employed for detecting criminal smugglers. It will mean some additional inconvenience for the international traveler. It may require a few more minutes for customs clearance. We suggest that this is a small price to pay to help keep drugs out of the hands of your children, my children, and the boy or girl next door.

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I am convinced that the American public fully supports this program. Enforcement officials cannot do the job alone. We need the cooperation of the public on many fronts. Regarding inconveniences, we need the public's understanding, patience, and cooperation.

Government cannot do the job alone. We need the support of the private sector for maximum effectiveness. We have spoken with a number of representatives from industry and labor and will be talking to many more. Treasury is most pleased that all the groups we have met with have volunteered to cooperate in the drive to suppress drug smuggling.

To sum up, President Nixon has highlighted the multidimensional aspects of the drug abuse crisis and has taken several major initiatives.

First.—He has elevated the drug problem to the foreign policy level and made it a matter of personal Presidential concern.

Second.—He has stressed the role of education, research and rehabilitation, and provided increased funds in these essential areas.

Third.—He has recommended differentiation in the criminal penalty structure between heroin and marijuana.

Fourth.—He has provided a substantial increase in budgetary support for law enforcement in this area.

Fifth.—He has stressed the need for cooperation with the States and the involvement of the private sector.

Let there be no false optimism. The road ahead is long and hard—and requires the active participation of all of us.

Exhibit 32.—Remarks by Assistant Secretary Rossides, April 23, 1970, before the 89th Annual Banquet of Phi Delta Phi, Columbia Law School, New York City, New York, on the Nixon administration's reform program to combat the illegal use of secret foreign bank accounts

Tonight I want to discuss with you the Nixon Administration's reform program to combat the use of secret foreign bank accounts by organized crime and white collar crime to violate U.S. tax and other laws.

When this Administration took office, it decided to do something about this problem. We point out with pride that this is the first Administration seriously to study the matter and recommend action designed for correction of this long-standing problem area. We take further pride in the fact that the Treasury is in the forefront of this effort. Treasury organized a Task Force to attack the problem on a concerted basis. It is the first of its kind of which we are aware.

Our overall aim is to build a system to deter and to prevent the use of secret foreign bank accounts for tax fraud, their use to screen from view a wide variety of criminally related financial activities, and their use to conceal and cleanse criminal wealth. Our immediate aim is to combat organized crime and white collar crime in their use of foreign banks to achieve criminal objectives.

This Administration recognizes the widespread moral decay that would result if these practices are permitted to continue and expand. We are determined to do something about them.

The Administration has acted in four interrelated areas:

First.—The development of solutions has been elevated from an ad hoc case-by-case approach to the foreign policy level. Treaty discussions have been undertaken with the Swiss authorities and we are in the process of contacting other governments.

Second.—The Treasury is carrying out a comprehensive administrative review of current procedures and an analysis of what further can be done under existing statutory authority.

Third.—The Treasury has made, on behalf of the Administration, certain legislative proposals regarding this problem.

Fourth.—The Treasury is working with the private sector to develop cooperative measures against this illegal activity.

Before discussing our actions in these four areas, I must emphasize three fundamental concerns that predominate in formulating Treasury's enforcement approach to this problem.

First, the U.S. dollar is the principal reserve and transactions currency of the world. Foreign holdings of U.S. dollars are huge, amounting to some $43 billion in liquid form. This fact itself is a mark of the confidence which others have in

the political and economic stability of the United States and is a tribute to the success of the international trade and payments system we have been creating—a system of progressively fewer restrictions to the flow of goods and capital. The overwhelming bulk of the rapidly growing volume of international transactions by Americans and foreigners alike are not only legitimate business and personal transactions, but serve the larger interests of the United States in effective monetary arrangements and freely flowing trade and payments. It has, therefore, been of paramount concern to us that the proposals we are making will in no way restrict the regular and efficient flow of domestic and international business, or personal transactions, or diminish the willingness of foreigners to hold and use the U.S. dollar.

The second consideration is that consistent with our determination to deter tax and other evasion by U.S. persons involving foreign financial transactions, we have sought to develop proposals under which the benefits to our tax collections and to our law enforcement objectives exceed the direct and indirect costs which these proposals bring about.

Finally, we have not lost sight of traditional freedoms, many of which are set forth in our Constitution, others which have become identified with our way of life. In strengthening enforcement, we must not jeopardize these principles.

Background

Just what is a secret foreign bank account? It is an account maintained in a foreign banking institution in a country which has laws which strictly limit the conditions under which information concerning an account will be made known to governmental authorities.

There is no certainty as to the exact dimension of the use of foreign bank accounts by U.S. citizens and residents, or the number being used for illegal purposes or the size of the tax fraud and other criminal violations shielded by such accounts. Even though the number of persons involved and the amounts of tax fraudulently evaded by these means may be small in comparison to total U.S. taxpayers and tax collections, the principle involved is central to proper tax administration: any tax fraud scheme must be attacked vigorously.

We all have the right to demand that all Americans pay their proper amount of taxes as determined under the revenue laws. If tax fraud fostered through the illegal use of foreign bank accounts is not curbed, our self-assessment system of taxation could be seriously impeded.

Rapid means of international transportation and communication have greatly facilitated the free flow of funds and commerce across what were once thought to be great distances. These technological advances have added to the problem of tax fraud through the use of secret foreign bank accounts.

The anonymity offered by foreign accounts has been used to conceal income made in connection with various crimes that have international features. They include the smuggling of narcotics, black market currency operations in Southeast Asia, and illegal trading in gold. These illegal undertakings frequently involve tax fraud.

Use by organized crime

Racketeer money.—There is strong evidence of a substantial flow of funds from racketeers in this country, particularly those associated with gambling, to certain foreign banks. Some of these funds appear to have been brought back into the United States under the guise of loans from foreign sources. This may be providing a substantial source of funds for investment by the criminal element in legitimate business in the United States.

Money from narcotics.—In March 1969, Treasury Agents of the Bureau of Customs broke up a major international heroin smuggling scheme by intercepting 115 pounds of heroin in New York City. Cash transfers of this organized crime enterprise were run through secret foreign bank accounts. One of the defendants alone admitted to forwarding half a million dollars from the United States to Geneva.

If adulterated at the usual ratio of five to one, the 115 pounds of pure heroin would have yielded 690 pounds of diluted heroin mixture. It is estimated that one such pound will yield 7,000 one-grain doses. The 690 pounds would have put 4.83 million one-grain doses into the hands of pushers on the streets with a total value of about $24,000,000 ($5.00 per dose). I am sure that you can understand why we feel so strongly that something must be done.

Use in connection with white collar crime

Foreign bank accounts are opened to facilitate tax fraud by some people who otherwise appear respectable and law abiding. They are used in an effort to hide unreported income from commercial operations in the United States or income from investments made through a foreign bank.

Personal accounts.—Accounts in foreign banks are used as repositories for money representing income not reported on U.S. tax returns, much in the same way as bank safety deposit boxes have been used in this country. For information on the existence and nature of the accounts, dependence has been placed upon informants and the subsequent tracing of transactions through banks in this country.

"Arrangements" with foreign customers and suppliers.—In some cases, U.S. taxpayers have arranged with their foreign customers or foreign suppliers for the preparation of false commercial documents overstating amounts received from the U.S. taxpayers or understating amounts paid to them. The funds placed in the hands of the foreign conspirators as a result of these falsifications are deposited with banks in bank-secrecy countries for the credit of the U.S. taxpayers.

Transactions in securities.—Taxpayers, by opening accounts with foreign banks and financial institutions, have been able to buy and sell on the U.S. stock markets without disclosing their interest in, or taxable income from, such transactions.

Let me now turn to the Nixon Administration's reform program.

Foreign policy—Swiss treaty negotiations

The recent discussions with Swiss officials have centered upon the development of a proposed mutual assistance treaty to provide information and judicial records, locate witnesses, and provide other aid in criminal matters. However, the United States and Switzerland already are parties to a convention for the avoidance of double taxation with respect to income taxes which is relevant to bilateral cooperation for obtaining bank records to prosecute tax fraud. Article XVI of this latter treaty provides for the exchange of information for the prevention of fraud or the like in relation to income taxes which are the subject of the convention.

We have only recently become aware that Swiss law makes an important distinction between simple tax evasion and tax fraud, which is an aggravated form of tax evasion. Whereas individuals guilty of simple tax evasion under Swiss law are not considered to have committed "crimes" as we know the term, and thus are not subject to jail sentences, tax fraud in connection with the Swiss federal withholding tax laws on interest and dividends and the income tax laws of sixteen of the 25 Swiss cantons, including the economically more important cantons is deemed a criminal offense which can result in the imposition of jail sentences and which is handled in criminal rather than administrative proceedings.

This distinction between tax evasion and tax fraud becomes of essential importance because under Swiss law the obligation of a bank to observe secrecy about the affairs of its depositors is superseded by the duty to furnish information, give testimony, or produce documents in criminal proceedings which include tax fraud proceedings.

Speaking on behalf of this Administration, I can assure you that we are actively exploring with the Swiss authorities the obtaining of the same information, including bank records, as can be made available to Swiss authorities.

Administrative reform

I believe that a primary responsibility upon taking office is to determine how current law is being administered and whether administration can be improved. In early 1969, in conjunction with work for discussions with Switzerland, I authorized a review of existing practice and statutory authority to see what improvements and additional action could be taken administratively. It was concluded that much along the following lines could be done to combat this problem even without legislation.

No matter what treaty, legislation, or regulations might be implemented, efficient and effective prosecution of law evaders is an important element in curbing the illegal use of foreign bank accounts. Law enforcement agencies are increasing efforts to uncover individuals who have made illegal use of foreign

bank accounts. The new United States Attorney for the Southern District of New York, Whitney N. Seymour, Jr., has been in close contact with key officials in Washington to implement a vigorous attack against individual offenders.

The Internal Revenue Service presently is thoroughly reviewing its operations, including its audit procedures, to develop more effective internal procedures for uncovering cases of tax fraud involving the use of foreign bank accounts, as well as for compiling and constructing solid evidentiary records in these cases. New guidelines are being established to aid Treasury agents of the Internal Revenue Service in handling investigations of taxpayers who employ or are believed to employ secret foreign bank accounts.

Another means of attacking the problem under existing law is to implement new effective regulations and administrative practices.

One significant measure that this Administration has already taken under existing authority will be to require on next year's tax return that U.S. citizens, residents, and certain other persons effectively doing business in the United States identify their direct or indirect interests in foreign bank accounts. I believe that this will be an effective deterrent to the use of these accounts to evade taxes, since the failure to reveal the existence of such interests will result in the imposition of criminal penalties apart from those otherwise applicable to the filing of fraudulent tax returns.

In conjunction with this disclosure requirement, this Administration has under consideration a proposal that, pursuant to regulations, taxpayers with interests in foreign bank accounts be required to maintain specified records of transactions they have with these accounts.

Another related proposal which is being given consideration is that taxpayers who report interests in foreign bank accounts on their tax returns at the same time personally would authorize the foreign financial institutions in which the accounts are maintained to forward any information which might be requested by U.S. law enforcement officers pursuant to the same legal process required to obtain bank records in the United States.

Still one more area being thoroughly considered by the Treasury Task Force is the extent to which evidentiary presumptions could be implemented through regulations which would make funds flowing through foreign bank accounts be deemed to be untaxed income unless taxpayers provided sufficient information and records to the contrary. This area is very closely related to comparable legislative proposals which I shall mention shortly.

I believe that this recitation of what already has been done by this Administration with respect to administrative measures and regulations, and to further international assistance to curb the illegal uses of foreign bank accounts clearly demonstrates our seriousness of purpose and that we have accomplished more than ever before. Even apart from the legislation on this subject presently before this Congress, administrative action and international cooperation hold promise of substantially curbing the illegal use of these foreign accounts.

Legislation

This is the first Administration in recent history to support the concept of development of effective legislation which would provide valuable additional statutory tools to counter the illegal use of secret bank accounts. In this connection, this Administration has strongly supported the objectives of those aspects of the legislation of the House Banking and Currency Committee chaired by Congressman Wright Patman, H.R. 15073, that are intended to ameliorate this problem. However, in my testimony before the House Banking and Currency Committee on March 2, 1970, I pointed out several key changes of H.R. 15073 which were necessary to make it responsive to this problem, only some of which were implemented by the committee before it reported the bill out at the end of March.

As originally introduced, H.R. 15073 suffered from numerous and obvious shortcomings. In general, it maximized burdens upon the public and the economy while minimizing enforcement effectiveness. More specifically, the bill would have made mandatory the photocopying, at least once and possibly twice, of every check written in the United States—at least 20 billion and possibly 40 billion items annually—and it further would have permitted uninhibited official Government rummaging through the records of certain banks without regard for the privacy safeguards provided by established discovery procedures.

We presented to the committee amendments and, later, a substitute bill. Our proposals would have maximized enforcement and minimized burdens and offered further advantages of brevity, clarity, ease of application, and flexibility not shared by H.R. 15073. Our proposals would have strengthened the bill in several ways, including amendments to lessen wasteful and counterproductive recordkeeping, and limit incursions upon the right of privacy.

Those amendments to the Patman legislation suggested by the Treasury, which were accepted, considerably improved H.R. 15073 as it was initially introduced. For example, key amendments of H.R. 15073 broadened recordkeeping requirements to encompass various types of other financial institutions engaged in international transfers of funds, as well as commercial banks.

In my testimony before the House Banking and Currency Committee on March 2, 1970, I specified records of types of international transfers which the Treasury Department recommended be maintained by these institutions pursuant to regulations issued by the Secretary of the Treasury for a period of 6 years. These included records of remittances transferring funds to and from the United States, both records of checks negotiated abroad and foreign credit card purchases in excess of $1,000, records of foreign checks transmitted abroad for collection. records of foreign drafts, and records of international letters of credit, and documentary collections.

I believe that the committee should have adopted a number of desirable suggestions made by the Treasury which are needed to limit the scope of the legislation to its intended purpose—to assist criminal, tax, and regulatory investigations and proceedings.

The Treasury recommended recordkeeping, reporting, and disclosure requirements which would have a high degree of usefulness in criminal, tax, or regulatory investigations, and which were directly related to the problem of the illegal use of secret bank accounts.

It has only recently come to the fore that the legislation is intended to deal not only to some extent with the problem of secret foreign bank accounts, but that a basically separate problem area with which H.R. 15073 also is concerned is the trend on the part of domestic banks not to maintain microfilm records of all checks drawn on them.

The Treasury Department urged amendments that would have limited all recordkeeping and reporting requirements of H.R. 15073 to those which are likely to have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings.

However, the committee adopted this significant limitation only in connection with the recordkeeping requirements imposed upon banks and other financial institutions. It failed to accept the same standard with reference to the reporting requirements imposed.

This refusal is significant, especially in view of the growing concern in America over possible incursions by Government into individual privacy. I believe it is generally accepted that the right of privacy is not absolute, but must be balanced against the need for information inherent in the governing process. For example, few of us would quarrel with the need for the Government to require individuals to file tax returns which, to some extent, of course, contain private information. Nevertheless, this right of privacy must be protected against any unnecessary incursions.

However, the reporting requirements of the Patman Committee legislation possibly could result in unnecessary inroads into this right of privacy. For example, consider the requirement of reporting domestic currency transactions in the Patman legislation. An analogy can be made between reporting of such transactions by financial institutions to the Government and searches through the records of these institutions without the transactions of a particular taxpayer in mind.

If such reporting requirements are limited, as the Treasury recommended, to those transactions likely to have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings, the potential unnecessary incursions on personal privacy would be limited; such might not be the case under the present H.R. 15073 language which permits the requiring of reports of any domestic currency transactions without any comparable limitation.

The Patman Committee testimony indicated that H.R. 15073 would require the microfilming of at least 20 billion checks per year. There have been conflicting and unsupported views expressed as to the cost of such a requirement, as well

as to the additional number of checks which would have to be microfilmed, in addition to those presently being copied. However, there was no substantial testimony indicating that the records of such checks would be of sufficient value to counter the additional recordkeeping costs whatever they, in fact, may be. The cost of any burdensome recordkeeping or reporting requirements would be likely to be passed on to the public, including everyone with a checking account.

This apparent willingness of the committee to enact legislation with only meager study or factual basis is even clearer with respect to Title III of H.R. 15073 which would extend the applicability of margin requirements under section 7 of the Securities Exchange Act to the purchasers of stock as well as to broker-dealers and financial institutions who lend money for that purpose. This significant provision was added to H.R. 15073 only in March, over 3 months after the original bill was introduced, and was accepted by the committee without any testimony being presented on it by concerned parties.

One legislative proposal which the Treasury Department has been fully considering (if the remedy, as I discussed earlier, cannot be achieved administratively), which we believe could be of significant assistance in curbing the illegal use of foreign bank accounts, and which would not pose any conflict with a right of personal privacy, is the establishment in the Internal Revenue Code of rebuttable presumptions that U.S. citizens, residents, and certain other taxpayers engaging in certain foreign transactions, and not furnishing upon request adequate information to the Secretary of the Treasury or his delegate, are dealing with their own untaxed income. As an alternative proposal, Treasury also has under consideration an excise tax which would be applied in situations where no adequate information of the foreign transactions is provided by the taxpayer.

The presumptions would be in the nature of evidentiary presumptions which could form the basis for a determination of civil tax liability (including interest and penalties) unless the taxpayer establishes by the clear preponderance of the evidence that his untaxed income is not involved.

It is the Government's understanding that most persons who use foreign financial institutions, even in countries where bank secrecy is strictly observed, can themselves obtain full information about their accounts and transactions. Therefore, it is assumed that U.S. taxpayers will be able, without difficulty, to satisfy the Secretary of the Treasury or his delegate as to his foreign transactions so as to avoid the application of either the presumption or excise tax if either is implemented.

Cooperation of the private sector

As is true in developing any public policy as expressed by legislation or administrative rulemaking, final action is taken only after securing views, information, and, hopefully, cooperation from those sectors that would be primarily affected. In the instant case, in developing a legislative and administrative approach to this problem affecting primarily the financial community, we believed it incumbent upon us to work with representatives of the banking industry, brokerage houses, and other related businesses involved in the transmittal of funds to and from foreign secret bank accounts. As stated in a December 27, 1969, "Washington Post" editorial referring to the Patman bill as originally introduced:

"This is a subject, of course, on which bankers ought to have their say. The strange thing is that they had not been consulted while the bill was being drafted. Though it is of great importance to curb the misuse of hidden bank accounts abroad, it is equally vital to protect the free flow of international commerce and to avoid the imposition of unnecessary burdens upon the banks."

I would be remiss not to publicly thank these members of the business community for the high level of cooperation we received, and I would especially like to thank the large banks which are members of the New York Clearing House. They provided us with much valuable background information on possible avenues of illicit activities, on foreign banking operations, and they offered many new and constructive suggestions on more effective legislative and administrative approaches that would benefit our enforcement efforts.

Clearing House member banks further indicated that on a voluntary basis, even before any legislative or regulatory action, they will comply with almost all of the recordkeeping requirements in connection with international transfers of funds that we desire, which records would, of course, only be available to gov-

ernmental representatives in accordance with existing discovery procedures. I believe that this spirit of cooperation between the public and private sectors will continue to grow, and that working together we shall effectively meet this priority enforcement problem.

To sum up, the Nixon Administration has acted to attack this critical enforcement problem in four interrelated areas:

First.—The development of solutions has been elevated from an ad hoc case-by-case approach to the foreign policy level. Treaty discussions have been undertaken with the Swiss authorities and we are in the process of contacting other governments.

Second.—The Treasury is carrying out a comprehensive administrative review of current procedures and an analysis of what further can be done under existing statutory authority.

Third.—The Treasury has made, on behalf of the Administration, certain legislative proposals regarding this problem.

Fourth.—The Treasury is working with the private sector to develop cooperative measures against this illegal activity.

Exhibit 33.—Statement by Assistant Secretary Rossides, June 9, 1970, before the Subcommittee on Financial Institutions of the Senate Banking and Currency Committee, on secret foreign bank accounts

The Treasury Department appreciates this opportunity to present the Administration's reform program to combat the use of secret foreign bank accounts by organized crime and white collar crime to violate U.S. tax and other laws, and to testify on S. 3678 and on H.R. 15073 which was passed by the House on May 25, 1970.

When this Administration took office, it decided to do something about this problem. We point out with pride that this is the first Administration seriously to study the matter and recommend action designed for correction of this long-standing problem area. The Treasury is in the forefront of this effort. Treasury organized a Task Force to attack the problem on a concerted basis. It is the first of its kind of which we are aware.

Our overall aim is to build a system to combat organized crime and white collar crime and to deter and prevent the use of secret foreign bank accounts for tax fraud and their use to screen from view a wide variety of criminally related financial activities, and to conceal and cleanse criminal wealth.

This Administration recognizes the widespread moral decay that would result if these practices are permitted to continue and expand. We are determined to do something about them.

The Administration has acted in four interrelated areas:

First.—The development of solutions has been elevated from an ad hoc case-by-case approach to the foreign policy level. Treaty discussions have been undertaken with the Swiss authorities and we are in the process of contacting other governments. We are reviewing all of our tax treaties with this problem in mind.

Second.—The Treasury is carrying out a comprehensive administrative review of current procedures and an analysis of what further can be done under existing statutory authority. We have already decided, with respect to taxable years beginning January 1, 1970, to require every U.S. taxpayer to disclose his direct or indirect interests in foreign bank, brokerage, and similar accounts on his tax return.

Third.—The Treasury has made, on behalf of the Administration, certain legislative proposals regarding this problem, many of which are incorporated in the bills before this committee. Further views on legislation are being presented in this statement and in Attachments A and B. Proposals for the amendments to the Internal Revenue Code will be presented to the House Ways and Means Committee and the Senate Finance Committee.

Fourth.—The Treasury is using the expertise of the private sector in this work, especially to obtain information on the methods by which international financial transactions are actually or might be carried out.

Before discussing our actions in these four areas, I must emphasize three fundamental concerns that predominate in formulating Treasury's enforcement efforts.

First, the U.S. dollar is the principal reserve and transactions currency of the world. Foreign holdings of U.S. dollars are huge, amounting to some $43 billion in liquid form. This fact itself is a mark of the confidence which others have in the political and economic stability of the United States and is a tribute to the success of the international trade and payments system we have been creating—a system of progressively fewer restrictions to the flow of goods and capital. The overwhelming bulk of the rapidly growing volume of international transactions by Americans and foreigners alike are not only legitimate business and personal transactions, but serve the larger interests of the United States in effective monetary arrangements and freely flowing trade and payments. It has, therefore, been of paramount concern to us that the proposals we are making will in no way restrict the regular and efficient flow of domestic and international business, or personal transactions, or diminish the willingness of foreigners to hold and use the U.S. dollar.

The second consideration is that consistent with our determination to deter tax and other evasion by U.S. persons involving foreign financial transactions, we have sought to develop proposals under which the benefits to our revenue system and to our law enforcement objectives outweigh costs and inconveniences of the proposals.

Finally, we have kept firmly in view our traditional freedoms, such as the constitutional prohibition against unreasonable searches and seizures and the right of our citizens to privacy. In strengthening enforcement, we must not jeopardize these principles.

There is no certainty as to the extent foreign bank accounts are used by U.S. citizens and residents, the number being used for illegal purposes, or the size of the tax fraud and other criminal violations shielded by such accounts. Even though the number of persons involved and the amounts of tax fraudulently evaded by these means may be small in comparison to the total number of U.S. taxpayers and total tax collections, the principle involved is central to proper administration of our self-assessment system of taxation: tax fraud schemes must be attacked vigorously.

Rapid means of international transportation and communication have greatly facilitated the free flow of funds and commerce across what were once thought to be great distances. While these advances are of great benefit to the world economy and international understanding, they have also added to the problem of tax fraud and other crimes through the use of secret foreign bank accounts.

During the last few decades the use of commercial banks to gather savings and hold the deposits of individuals has grown substantially. In times past, financial obligations were settled through the transfer of coin and paper currencies, but now, with few exceptions, the personal or corporate check settles accounts. The request for a bank to transfer funds is an active alternative to the check. With the convertibility of currencies, particularly the dollar, and with the increasing interrelationship of our economies, international financial transactions often involve foreign bank accounts in at least one stage or another.

The United States, of course, does not have nor should it seek jurisdiction over foreign financial institutions not engaged in trade or business in the United States. Once funds owned by U.S. citizens and residents leave the United States, the Internal Revenue Service, the Securities and Exchange Commission, and other U.S. law enforcement agencies cannot normally trace these funds in the foreign country unless the foreign government has agreed to conduct investigations on our behalf. In contrast, where only domestic financial institutions are used, our investigators can frequently pick up the trail at various junctures and trace transactions from bank to bank.

I. Foreign policy–discussions with Switzerland

As you know, we have been holding discussions with the Swiss Government to explore the possibilities for a treaty for mutual assistance in criminal matters. We are also reviewing our 1951 income tax treaty with Switzerland to make sure that we are making full use of the provisions which provide for the exchange of information "for the prevention of fraud or the like in relation to taxes" covered by the treaty. Our third round of talks with the Swiss was held in Washington in March, the United States being represented by an interdepartmental group from the State, Treasury and Justice Departments and the Securities and Exchange Commission. A Treasury delegation visited Bern in May and further talks are scheduled for next month. The talks are at a crucial stage,

but it will probably not be until the fall or later when we know whether an agreement can be reached.

We believe Article XVI of the existing tax treaty already requires, except in a narrow range of circumstances, the exchange of information in tax fraud investigations and proceedings to the extent that the laws of both countries provide for the obtaining of the type of information sought. Swiss law makes an important distinction between simple tax evasion and tax fraud, which is an aggravated form of tax evasion. Whereas individuals guilty of simple tax evasion under Swiss law are not considered to have committed "crimes" as we know the term, and thus are not subject to jail sentences, tax fraud in connection with the Swiss federal withholding tax on interest and dividends and the income tax laws of sixteen of the twenty-five Swiss cantons, including the economically more important cantons, is deemed a criminal offense which can result in the imposition of jail sentences and which is handled in criminal rather than administrative proceedings.

This distinction between tax evasion and tax fraud becomes of essential importance, not only because the tax treaty requires the exchange of information in tax fraud cases, but also because under Swiss law the obligation of a bank to observe secrecy about the affairs of its depositors is superseded by the duty to furnish information, give testimony, or produce documents in criminal proceedings which include tax fraud proceedings.

We believe that our tax treaty entitles us to obtain no less information than is obtainable by Swiss authorities in comparable proceedings. However, some have suggested an interpretation significantly at variance with that of the United States which could severely restrict the exchange of information under the tax treaty.

Our program involving foreign policy has not been solely focused upon Switzerland. The Treasury also has been reviewing the operation of our other tax treaty exchange of information provisions. We are examining the use of financial facilities in other foreign jurisdictions which offer shields of financial secrecy to United States taxpayers. Moreover, other countries have recognized that evaders and other criminals often go beyond national boundaries and have raised the possibility of international cooperation.

II. The Administration's program for obtaining information on foreign accounts and transactions

The Treasury, as part of the Administration's program, has been developing a system for obtaining information on foreign bank, brokerage and similar accounts and international transactions of U.S. citizens and residents for use in tax determinations and criminal and regulatory investigations and proceedings. I will discuss each of the parts of our system in turn and indicate how it relates to the bills before the committee and to other legislation.

1. *Foreign account disclosure requirement.*—Each U.S. taxpayer will, with respect to taxable years beginning on or after January 1, 1970, be required to disclose his interests at any time during the taxable year in foreign bank, brokerage, and similar accounts on his tax return. This requirement will be imposed under section 6011(a) of the Internal Revenue Code. We may also recommend to the House Ways and Means Committee and the Senate Finance Committee a special penalty for failure to furnish this information.

In connection with this disclosure requirement, we have under consideration a proposal to issue regulations, pursuant to existing statutory authority, requiring taxpayers with such interests to maintain specified records of transactions they have with these accounts. These records would correspond to the type of evidence taxpayers are now expected to produce when their returns are audited.

We believe that this disclosure requirement will constitute a significant deterrent to the use of foreign accounts for tax evasion and other illegal purposes while in no way affecting the legitimate use of such facilities.

2. *International transactions recordkeeping by banks and other financial institutions.*—The extent to which our financial institutions have been keeping records of domestic and international transactions has undergone considerable change in the last few years as a result of technological advancements in the industry. The multiplication of transactions in the banking industry has only been made possible through the extensive use of electrical office machinery and computers. All of us have noticed how our own monthly bank statements have changed in format and procedures in the last few years, reflecting at a personal

level the changes that have taken place in the industry. With these changes, the traditional copies and forms which the banks have retained in their own files have been reduced primarily for reasons of operating efficiency. This has occurred at the same time the public has focused on the use of international banking transactions to disguise criminal acts.

Since bank records can help in dealing with such crime, the Treasury recommends that banks and other financial institutions located in the United States be required to maintain certain minimum records of foreign transactions.

This would assist our law enforcement agencies to trace transfers of funds across our borders by U.S. citizens and residents and help investigation of foreign accounts subject to the foreign account disclosure requirement. In many cases, these requirements would codify present practices. Primarily, we seek improved availability of records.

The legislation could establish requirements for recordkeeping with respect to international transactions by authorizing the Secretary of the Treasury to prescribe particular records which must be maintained. While we originally recommended this approach, it now seems to us that in addition the legislation can appropriately provide that banks and other financial institutions located in the United States be required to maintain six specific types of records as follows:

(1) Records of foreign remittances transferring funds abroad.

(2) Records of foreign remittances transferring funds to the United States.

(3) Records of large checks negotiated abroad drawn on banks located in the United States and records of large foreign credit card purchases by U.S. citizens and residents.

(4) Records of foreign checks transmitted abroad for collection.

(5) Records of foreign drafts.

(6) Records of letters of credit and documentary collections.

As experience is gained and methods of business change, the Secretary would be authorized to issue regulations adding specific types of international records to those required or to suspend the requirement as to any type of record specified in the statute. With respect to retention period, we recommend that the statute prescribe a general 6-year retention period with authority conferred on the Secretary to reduce the period where appropriate. The Secretary should have authority to establish the magnitude of transactions or documents subject to the requirements or to set exceptions on the basis of other criteria.

A further description of the international records we recommend and some details on the contemplated recordkeeping requirements are set forth in Attachment A.

If the Internal Revenue Service could survey the foregoing records of international transactions, either by examining them on the premises of the bank or other financial institutions or by requiring information returns as to some of the contents of the records, the usefulness of the records in providing initial leads to cases of possible tax evasion would be enhanced. Such surveys, however, would extend the utilization of the records beyond their traditional role as a source of information and evidence in an examination of a particular taxpayer.

The Internal Revenue Code authorizes the Internal Revenue Service to obtain and examine records maintained by banks and others in connection with the determination of the tax liability of particular taxpayers. There is also a statutory basis for arguing that the Internal Revenue Code authorizes the use of compulsory process for a survey of the records of a financial institution located in the United States. Nevertheless, the Internal Revenue Service has not generally asserted such survey authority, the scope of which has not been reviewed by the courts.

We decided against seeking specific statutory authority extending the rights of the Internal Revenue Service to survey the records of international transactions in banks and other financial institutions. In deciding this, we considered the constitutional prohibition against unreasonable searches and seizures and the need to avoid unnecessary incursions against the right of privacy. While it is clear that obtaining records by established discovery procedures from the banks and other institutions in connection with the examination of a particular taxpayer would not violate these rights, provision for a survey of such records raises a much more serious question. We are also concerned that surveys or information returns could have an adverse effect on legitimate foreign investment in the United States. It has been the tradition overseas to place great emphasis on the privacy of financial transactions and a breach of this tradition could adversely affect the flow of foreign funds to the United States.

Balancing these factors, we concluded that it would not be appropriate for us to suggest legislation extending the rights of the Internal Revenue Service to survey the records of banks and other institutions.

Next we considered the approach taken in sections 241 and 242 of S. 3678 and H.R. 15073 which could be used to accomplish the same result by requiring banks and other financial institutions to file information returns setting forth the information contained in the international records. For the same reasons that we have concluded that we cannot support new legislative authority for the survey of records not tied to a particular taxpayer investigation, we believe it inappropriate to support legislation requiring reports of information obtained from the records of international transactions. Since sections 241 and 242 of the bills authorize such reports, we cannot support their inclusion unless they are substantially amended.

This is a very delicate area which requires full consideration of the constitutional prohibition against unreasonable searches and seizures, the need to avoid unnecessary incursions against the right of privacy, the international reaction, and the needs of the Internal Revenue Service for information. We intend to do additional work in this area with the thought that if a sound proposal can be developed, it will be presented to the Congress.

3. *Reports of exports and imports of currency.*—In addition to international transfers through banks and other financial institutions, funds can be transferred directly by the physical movement of U.S. currency or its equivalent.

In order to make sure that records of such direct transfers are available for the purpose of verifying income tax returns and for criminal law enforcement, the Treasury proposes that persons importing or exporting on one occasion $5,000 or more of U.S. currency or its equivalent be required to file an information return prior to the importation or exportation.

There would be no restrictions on exporting and importing currency or the equivalent in any amount, and no return would be required of those exports or imports under the $5,000 level. The average international traveler would not be affected by this requirement. Those who reach this level could comply with this requirement by simply completing or turning in the report form which would be provided.

Enforcement of this provision, which would include a forfeiture provision, would require substantial additional manpower in the Bureau of Customs.

4. *Rebuttable presumptions that U.S. citizens and residents engaging in certain foreign transactions are dealing with their own untaxed income.*—By means of the disclosure of foreign accounts, the required international records, reports of exports or imports of currency and, to a certain extent, Treasury Currency Reports, the Internal Revenue Service will be in a much better position to identify instances of tax evasion by U.S. taxpayers involving foreign accounts and international transactions than now. While such information would certainly be of use in reducing such evasion, there are limits to the benefits of the proposals so far made. We believe our effectiveness in law enforcement would be enhanced if the Internal Revenue Code were amended to provide rebuttable presumptions that persons who engage in certain international transactions and who do not furnish satisfactory information with respect thereto are dealing with their own untaxed income.

Legislative implementation of the presumptions would be through amendment to the Internal Revenue Code. The Treasury has discussed these matters with the staff of the Joint Committee on Internal Revenue Taxation and is developing proposals for submission to the House Ways and Means Committee and the Senate Finance Committee.

5. *Administrative measures.*—The previous four parts of the Treasury's program to deal with tax evasion and other crimes facilitated by the use of foreign bank accounts have involved rules which would be applicable to taxpayers or financial institutions. There is, however, an important additional element that is necessary to make any law enforcement system work—adequate numbers of informed personnel and vigorous and comprehensive enforcement. The measures made available by the new legislation would require additional manpower.

A number of new approaches are being considered, including the establishment of a specialized group in the National Office of the Internal Revenue Service, with expertise in foreign banking and international transactions and the various possibilities for obtaining information. This group would be immediately avail-

able to field agents for consultation and guidance in cases which involve or might involve an undisclosed foreign account or international transaction. In addition, new instructions are being prepared for use by field agents which would require informing the National Office at an early stage about cases involving foreign banks for possible requests for information to foreign governments under treaty provisions.

The Internal Revenue Service also is evaluating whether it has in the past fully used the information which it has been able to obtain to draw inferences as to untaxed income. This is closely related to the statutory presumptions discussed above. While statutory presumptions will add strength to the inferences that are appropriate, even without these presumptions we believe that inferences can be properly drawn and tax liability established based on information which heretofore has not been considered sufficient to support a claim.

The Treasury recognizes that increased audit and enforcement activity will require additional manpower and perhaps data processing facilities in the Internal Revenue Service. Every attempt will be made to obtain sufficient funds for these needs and Bureau of Customs' needs in forthcoming Treasury appropriation requests.

III. The Administration's proposal for obtaining domestic information

In addition to dealing with the problem of secret foreign bank accounts. S. 3678 and H.R. 15073 also deal with a basically separate problem area, law enforcement in a purely domestic context. Two provisions are involved: requirements for recordkeeping by banks and other financial institutions of records of domestic financial transactions, and Treasury Currency Reports.

1. *Domestic transaction records of banks and other institutions.*—While unlimited requirements for recordkeeping by banking institutions of all domestic transactions are undesirable and unnecessary, records of certain domestic transactions are often essential in the fight against tax evasion and other crime, especially organized crime.

Therefore, we recommend that the legislation provide discretionary authority in the Secretary of the Treasury to require that banks and other financial institutions maintain such records of domestic transactions as may be specified in regulations. Regulations would be developed to identify the types of documents subject to these requirements, specify the minimum amounts, establish the classification of documents (such as checks paid or checks deposited) and other classifications subject to these requirements and specify the retention periods.

2. *Treasury currency reports.*—Turning to the second domestic requirement, financial institutions currently are required to file Treasury currency reports in cases where persons who use their facilities engage in "unusual" currency transactions. The present system has not been adequate because the concept of an "unusual" transaction has been subject to differing interpretations. Also, financial institutions may not have always sufficiently verified whether the person engaging in the transaction has furnished his correct name and address.

We support in general the concept of sections 221 and 222 of H.R. 15073 and S. 3678 for a new statutory basis for Treasury currency reports, provided that these reports are limited by statute to those concerning transactions likely to have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings.

The following summarizes the legislative aspects of the Treasury proposals:

—A bill (i) requiring U.S. banks and other financial institutions to maintain records of specified international transactions, (ii) requiring persons importing or exporting from the United States large amounts of currency or its equivalent to file reports, (iii) authorizing the Secretary of the Treasury to impose recordkeeping requirements on banks and other financial institutions with respect to domestic transactions, and (iv) requiring Treasury currency reports, to the extent it is found that such records and reports are likely to have a high degree of usefulness in criminal, tax and regulatory investigations and proceedings;

—A bill amending the Internal Revenue Code to provide a specific penalty for failure to comply with the foreign account disclosure requirement and to provide statutory presumptions that U.S. taxpayers engaging in certain foreign transactions and not furnishing complete information with respect thereto are dealing with their own untaxed income.

H.R. 16444, prepared by the Treasury and introduced by Representative Widnall on March 12, 1970, would provide the legislative framework, other than the Internal Revenue Code amendments, for the enforcement system which we recommend. We would recommend amending H.R. 16444 to specify the required records of international transactions in a separate section. In addition, I am sure that Treasury and congressional staffs could make a number of technical improvements.

IV. Administration position on extending margin requirements to borrowers and restricting dealings with foreign finanical agencies

1. *Margin requirements.*—Section 301 of the bills would give the Federal Reserve Board clear authority to apply margin requirements not only to lenders but also to borrowers. This is an entirely new concept in the regulation of credit as margin rules have been only applied in the past to lenders.

The Administration supports the extension of the margin requirements to borrowers provided it is made clear that this is not intended to regulate the availability of credit abroad to foreigners. Therefore, section 301 should be amended to provide that only borrowers who are American citizens or residents and foreign persons controled by or acting for them are subject to these requirements. In addition, it should be made clear that the requirements are applicable only with respect to the purchase of U.S. securities, or of foreign securities where the transaction is executed in the United States.

It is not our intention to engender direct jurisdictional conflicts with foreign countries which have sovereign authority to regulate the availability of their own domestic credit. Any problems that may be raised by foreign participation in our securities markets should be approached through international cooperation.

2. *Restricting dealing with foreign financial agencies.*—A new section appears in S. 3678 which does not appear in H.R. 15073 which aims at identifying users of foreign financial facilities. The new provision, Title IV of S. 3678, would accomplish this objective by providing that no person may effect any transaction in a domestic security within the United States if such transaction was initiated by a foreign financial agency, unless such person either obtains from the foreign financial agency the identity of all persons having any beneficial interest in the transaction, or has in good faith accepted a certification from the foreign financial agency that no citizen or resident of the United States had any beneficial interest in the transaction. In addition, it provides that any U.S. citizen or resident who purchases or sells domestic securities through a foreign financial agency must both authorize that foreign financial agency to disclose the citizen's or resident's identity to the U.S. broker or dealer executing the transaction and file periodic reports with the Securities and Exchange Commission disclosing details of purchases and sales as may be required by the SEC.

We must be careful to avoid provisions that are too stringent and which may have the effect of impeding the channels of trade and this defect exists in Title IV.

Moreover, I believe that foreign financial agencies might find it extremely difficult to comply with this provision. Even with the best of will, a foreign financial agency might be unaware of the real parties in interest in a transaction. Consequently, fear of the consequences of failure to comply with this section, particularly if criminal or other penalties were to attach to a false identification or certification, could have serious effects on the willingness of foreigners to invest in the United States. Thus, this provision is likely to produce little in the way of reliable information and could have limiting effects on investment in the U.S.

At the same time, Title IV would put a heavy administrative burden on those foreign securities dealers and banks seeking to make portfolio investments in the United States. Yet the information obtained under Title IV would in part duplicate information obtainable under other provisions of the bill which will achieve many of the same objectives as those sought to be accomplished by Title IV, but without the significant drawbacks of this provision.

For these important reasons, the Treasury recommends the deletion of this provision from S. 3678. In our view it does not meet the goals set by Senator Proxmire in introducing S. 3678 that, "Our law enforcement authorities need additional tools to trace the international flow of funds into and out of the

United States without impairing the international mobility of capital or infringing upon the sovereign rights of foreign countries."

V. Proposed Amendments to H.R. 15073 and S. 3678

While H.R. 15073 and S. 3678 incorporate a number of Treasury recommended improvements, further amendments are required to insure adequate enforcement authority and responsibility and eliminate provisions which would or could lead to unnecessary and counterproductive paper work and potentially unwarranted invasions of privacy. I will outline in this statement the principal amendments which the Treasury feels are necessary. These and other amendments which we urge are discussed in Attachment B. I have already stated our views on the margin requirements provision and on the provision restricting dealings with foreign financial agencies.

The major additional amendments which we suggest in S. 3678 and H.R. 15073 are as follows:

A. *Purpose.*—As introduced, H.R. 15073 stated a number of purposes, including facilitating the supervision of the business of banking, the establishment of civil liabilities, the regulation of the value of money and the collection of statistics necessary for the formulation of monetary and economic policy. The Treasury argued that the only proper purpose of H.R. 15073 is to assist criminal, tax and regulatory investigations and proceedings. Title I of H.R. 15073 was amended in the House in conformity therewith and Title I of S. 3678 also reflects this view.

However, the stated purposes of Title II, set forth in Section 202 of H.R. 15073 and S. 3678, have not been changed. Section 202 still provides, "The purposes of this title are (1) to facilitate the supervision of financial institutions properly subject to Federal supervision, (2) to aid duly constituted authorities in lawful investigations, and (3) to provide for the collection of statistics necessary for the formulation of monetary and economic policy."

The Treasury urges that Section 202 be amended to make it clear that the only purpose of Title II is to assist criminal, tax and regulatory investigations and proceedings. The need for such a change is especially great in view of the growing concern in America over possible incursions by Government into individual privacy.

Where reporting is recommended, as in the case of the Treasury currency reports. the purpose of the requirement should be appropriately limited. If such reporting requirements are limited to those transactions likely to have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings, the potential unnecessary incursions on personal privacy would be limited; such might not be the case under present S. 3678 and H.R. 15073 language which permits the requiring of reports without any comparable purpose limitation.

Limiting the purpose of the bill is also important because under section 204 the authority of the Secretary of the Treasury to prescribe regulations for the implementation of Title II is limited to those "he may deem appropriate to carry out the purposes of this title."

B. *Unnecessary and counter-productive domestic records.*—Both bills provide that—

"(d) Each insured bank shall make, to the extent that the regulations of the Secretary so require—

"(1) A photocopy or other copy of each check, draft, or similar instrument drawn on it and presented to it for payment;"

In addition, H.R. 15073, but not S. 3678, provides:

"(i) Notwithstanding any other provisions of this section the recordkeeping requirements referred to in this section shall not apply to domestic financial transactions involving less than $500."

There seems to be some disagreement as to the meaning of these provisions. Our concern is that the basic provision might be interpreted as requiring the Secretary of the Treasury to issue regulations providing that all banks photocopy all checks drawn on them, or under the House bill all checks except checks of less than $500 used in domestic financial transactions.

We believe that the imposition of an all-encompassing requirement to photograph all checks drawn on U.S. banks (with or without a $500 domestic exclusion) could be impractical, wasteful, and counter-productive.

In excess of 20 billion checks are drawn annually in the United States and

flow through the banking system and only a small percentage of these are likely to be of use in criminal, tax or regulatory investigations and proceedings. In designing recordkeeping requirements, a balance has to be struck between the cost to maintain the records (and let us be sure to recognize that this cost will be borne by the American public that uses the banks) and their likely use in investigations and proceedings.

While the Treasury has developed precise recommendations as to the records of foreign transactions which banks and other institutions should be required to maintain, neither Treasury nor any other group has done adequate work so as to determine the records of purely domestic transactions which are likely to have a high degree of usefulness in criminal, tax and regulatory investigations and proceedings. We feel that it is unwise to adopt legislation with such mandatory requirements on the ground that the cost of compliance is not great without some better idea of the use to which such records could be put, how this might be accomplished and the costs involved.

C. *Sections 241 and 242.*—Sections 241 and 242 authorize the Secretary of the Treasury to impose four independent types of requirements in connection with international transactions and relationships: (1) reporting by financial institutions of their clients' international transactions and relationships; (2) reporting of international transactions and relationships by the principals; (3) recordkeeping by financial institutions of their clients' international transactions and relationships; and (4) recordkeeping of international transactions and relationships by the principals.

As I stated in connection with the international transactions records of banks and other financial institutions, legislation for reports of international transactions by such institutions is not desirable. As for the other three types of requirements which sections 241 and 242 would permit, one is inappropriate (reports of foreign transactions by principals) while another is duplicative (required recordkeeping by principals). The only proper use of these sections would be to impose international recordkeeping requirements on banks and other financial institutions. If these sections are to be used for that purpose, they should be amended along the lines that I have indicated above and to delete the inappropriate and duplicative material.

D. *Administrative responsibility and authority.*—The Treasury Department believes that the intent of the bills is to assign to the appropriate Federal agency the responsibility to make sure that banks, brokers and other financial institutions are complying with the requirements imposed upon them by the bills and the regulations issued thereunder. Such an intent was made specific in H.R. 16444, which states the responsibility of the Secretary of the Treasury to assure that the requirements of the bill are being carried out and to make appropriate delegations to that end. We urge that a similar provision be included in the legislation enacted.

Section 302(g) of H.R. 16444 specifically authorizes the Secretary of the Treasury to prescribe regulations including "the procedures to be followed by the Bureau of Customs, including border and mail checks, to assure compliance with the requirements imposed by this chapter." While it is believed the intent of H.R. 15073 and S. 3678 is to authorize such procedures, it would seem desirable if the bills contained a provision similar to that in H.R. 16444.

E. *Inconsistency with S. 30, the Organized Crime Control Act.*—We endorse the recommendation of Assistant Attorney General Wilson that the immunity provision set forth in section 211 either be deleted or made consistent with the testimonial immunity approach contained in S. 30, the Organized Crime Control Act.

These and other changes which are discussed in Attachment B are needed to make S. 3678 and H.R. 15073 a more effective and efficient tool in criminal, tax, and regulatory investigations and proceedings without undue cost or interference with the other national policies which I referred to at the beginning of this statement.

Conclusion

The Treasury has undertaken actively and vigorously to curtail the use of foreign bank accounts and international transactions for tax evasion and other crimes. Our program includes administrative action, new regulations, treaty negotiations, legislative proposals, and cooperation with the private sector. Today I have presented our proposals for legislation and for improvements

in the bills before this committee which legislation we urge the committee to adopt. We believe that such legislation would contribute to our efforts to curb tax evasion and other crimes by U.S. citizens and residents where foreign accounts and international financial transactions are involved assuming budgetary resources for proper enforcement are obtained. However, past experience indicates that no system is foolproof. We will continue to be alert to new devices developed by those seeking to evade taxes or otherwise violate our criminal laws.

We feel that the measures that we have undertaken and the legislation we have recommended, when fully utilized by the Internal Revenue Service and other Federal law enforcement agencies, will result in improvement in our continuing efforts to curb tax evasion and other white collar crimes as well as to suppress organized crime.

ATTACHMENT A

June 9, 1970.

INTERNATIONAL TRANSACTIONS RECORDKEEPING BY BANKS AND OTHER FINANCIAL INSTITUTIONS TREASURY'S PROPOSAL AS TO RECORDS TO BE REQUIRED

(1) *Records of foreign remittances transferring funds abroad.*—In a typical foreign remittance transaction, a U.S. bank or other financial institution such as a currency exchange, pursuant to a request by a customer, will instruct either by airmail or cable a foreign correspondent bank (or its foreign office) to pay either directly or through another institution a specified amount to a designated person located in the area of the foreign bank with reimbursement effected through either the foreign bank's dollar account in the U.S. bank or the foreign currency account of the U.S. bank at the foreign bank. The customer of the U.S. bank will either instruct the U.S. bank to charge the customer's account with the amount of the remittance or furnish funds in that amount. Under our proposal, the U.S. bank would be required to maintain the application for the remittance, or a copy, including the identification of its customer, and a copy of the remittance. Regulations would specify the minimum information to be set forth on this and other applications made a part of the required records.

(2) *Records of foreign remittances transferring funds to the United States.*—This is the converse case to the one just described. U.S. banks instructed by foreign banks to make a payment either directly or through another institution would, under our proposal, be required to keep records of the instructions and payment including, in the case of the bank actually making the payment, the identification of the payee.

(3) *Records of checks negotiated abroad and foreign credit card purchases.*—Checks drawn on U.S. banks, including cashier's checks issued by U.S. banks, which are sent outside the United States are generally forwarded by foreign banks (or foreign offices of U.S. banks) to their U.S. correspondents banks (or to their head offices) for immediate credit or for collection. The foreign bank transmits the checks with a "cash letter." We recommend that the first bank located in the United States to receive a cash letter from abroad be required to keep a microfilm or other copy of each check of $1,000 or more and the cash letters transmitting such checks. In addition, since credit card charges of foreign purchases have the same effect as checks negotiated abroad, United States institutions whose credit cards can be employed to obtain credit overseas also would be required to maintain records of each foreign charge of $1,000 or more.

(4) *Records of foreign checks transmitted abroad for collection.*—A U.S. bank transmitting abroad checks drawn on foreign banks paid to U.S. beneficiaries would be required to keep a microfilm or other copy of the checks.

(5) *Records of foreign drafts.*—A foreign draft (also called a banker's draft) is like a cashier's check in that both involve the obligation of a bank. A cashier's check is payable by the bank from which it is purchased, while a foreign draft is drawn on a foreign correspondent bank of the bank where the draft is purchased. The purchaser sends or carries the check or draft to the foreign country himself. Under the Treasury recommendations, a U.S. bank selling a foreign draft would be required to maintain the application of its customer, and a copy of the draft itself. Conversely, U.S. banks would be required to maintain a copy of foreign drafts sold by foreign banks which are payable in the United States, and maintain records of the identification of the payee.

(6) *Records of letters of credit and documentary collections.*—With respect to letters of credit, including travelers' letters of credit, issued by U.S. banks and

by foreign banks, and documentary collections employed in export and import transactions, U.S. banks also would have to maintain records along the lines customarily maintained by most banks which engage in such transactions.

ATTACHMENT B

June 9, 1970.

TREASURY DEPARTMENT RECOMMENDED AMENDMENTS TO S. 3678 AND H.R. 15073

1. Title I—Financial institution records of domestic transactions

The Treasury Department took separate approaches to recordkeeping of international and domestic transactions in the statements of Assistant Secretary of the Treasury Rossides before the Subcommittee on Financial Institutions of the Senate Banking and Currency Committee on June 9, 1970, and before the House Banking and Currency Committee on March 2, 1970. With respect to international transactions it listed six specific types of records which it thought should be required, while with respect to domestic transactions it left the specific requirements to future development. The reason for this is simple. The Treasury Task Force on Secret Foreign Bank Accounts concentrated on its assigned problem—evasion aided by international means—and was able to develop recordkeeping requirements responsive to the relevant international transactions. The Treasury Task Force then turned to the question of evasion involving purely domestic transactions, but concluded that insufficient work had been completed to enable it to recommend specific recordkeeping requirements which would have a maximum law enforcement potential with a minimum of interference with commerce and a minimum cost to financial institutions and their customers. The Treasury therefore suggested that the responsibility for developing specific domestic requirements be assigned to the Secretary of the Treasury.

As introduced, H.R. 15073 would have required each insured bank to photocopy all checks drawn on it and presented to it for payment. Largely in response to the views expressed by the Treasury, the House Banking and Currency Committee adopted a number of amendments which reduced this inflexibility.

Although not recommended by the Treasury, one amendment added to new section 21 of the Federal Deposit Insurance Act, subsection (i) provided: "Notwithstanding any other provisions of this section the recordkeeping requirements referred to in this section shall not apply to domestic financial transactions involving less than $500."

The committee also amended subsection (d) of new section 21 to provide: "Each insured bank shall make, to the extent that the regulations of the Secretary so require, (1) a photocopy or other copy of each check, draft, or similar instrument drawn on it and presented to it for payment." The addition of the words "to the extent that * * * so require" would appear to be a clear grant of power to the Secretary of the Treasury to provide that the photocopying requirement does not extend to all international transactions and to all domestic transactions involving $500 or more. In other words, he is given the authority to prescribe the extent of the photocopying requirement. While the committee report recognizes this power, it indicated that, in view of the congressional findings, the Secretary is left with "little choice but to require, upon the effective date of the legislation, that banks photocopy all checks except" those covered by the $500 exemption provision. But the report does recognize that "the Secretary's duty to impose such a requirement is neither absolute nor permanent." In introducing S. 3678 on April 6, 1970, which contains a new section 21 similar to that in H.R. 15073 as passed except that S. 3678 does not contain the less-than-$500 exemption provision, Senator Proxmire explained the authority of the Secretary as follows: "Nonetheless, the expense involved might outweigh the potential benefit and for this reason, the Secretary of the Treasury is given full authority to exempt certain classes of checks from the photocopy requirement."

The Treasury is concerned that the language of Subsection (d) and the somewhat conflicting statements of legislative intent might lead to an interpretation requiring the Secretary of the Treasury to issue regulations providing that all banks photocopy all checks drawn on them, or, under H.R. 15073, all checks except checks of less than $500 used in domestic financial transactions.

Since, as indicated above, additional work must be done to develop efficient recordkeeping requirements for domestic transactions, Treasury urges that the bill be further amended to eliminate the reference to specific types of domestic

records, and to place the responsibility to develop specific requirements on the Secretary of the Treasury. Regulations would be developed to identify the types of documents subject to these requirements, specify the minimum amounts, establish the classification of documents (such as checks paid or checks deposited) and other classifications subject to these requirements.

It would be unwise to adopt legislation with such mandatory requirements without greater knowledge of the use to which such records could be put, and little more than a cursory idea of the costs involved.

It should also be noted that the $500 domestic exemption provision contained in H.R. 15073 most likely would not accomplish its apparent purpose, to eliminate the recordkeeping requirements in connection with relatively small domestic checks. It would be impossible for banks to ascertain with certainty whether a particular small check was negotiated abroad or was a domestic item. One could not tell simply from the name of the endorser whether a check were endorsed abroad. Therefore, in order to be in certain compliance with the international recordkeeping requirement which has no minimum exemption, banks would have to microfilm all checks regardless of amount.

2. Type of records

Title I of both bills contains language related to recordkeeping requirements in terms of "photocopies" and "a photocopy or other copy" of enumerated instruments. This terminology raises a possible implication that only hard copies rather than microfilm or other film records would be acceptable or could be required by the Secretary in lieu of actual photocopies. Since microfilm is much less expensive than hard copy processes and provides acceptable reproductions of the records in question, it is suggested that the use of the term "photocopies" in section 21(a)(1) and "photocopy or other copy" in section 21(d)(1) be replaced by "microfilm or other reproductions" and "microfilm or other reproduction" respectively.

3. Records of identity of customers and signatories

Subsection (c) of new section 21 of the Federal Deposit Insurance Act provides: "Each insured bank shall maintain such records and other evidence as the Secretary shall require of the identity of each person having an account with the bank and of each individual authorized to sign checks, make withdrawals, or otherwise act with respect to any such account." The Treasury agrees with the purpose of this provision, but believes that the Secretary of the Treasury should specifically be given the authority to establish exemptions. For example, it might be decided to limit the requirement for identity records to certain types of accounts involving minimum amounts or to exclude from the identity record requirements employees with authority to sign checks or make deposits where the account owner maintains complete personnel records.

4. Annual Report to Congress

Subsection (h) of new section 21 of the Federal Deposit Insurance Act provides: "The Secretary shall make an annual report to the Congress of his implementation of the authority conferred by this section and any similar authority with respect to recordkeeping or reporting requirements conferred by other provisions of law." The Secretary of the Treasury already makes an annual report to Congress and it should be made clear that the information requirement by subsection (h) may be furnished as part of that report.

5. Geographical scope

In accordance with recommendations made by the Treasury, the geographical scope of Title II of H.R. 15073 has been clarified so that financial institutions are subject to the reporting requirements only to the extent they perform functions within the United States. Thus, a U.S. branch of a foreign bank would be required to file relevant reports while a foreign branch of a U.S. bank would not be subject to these requirements. However, S. 3678 does not contain this clarification, but rather has retained in Section 203(f) and (h), the original language of H.R. 15073, which could be construed to require comparable reports from foreign branches of U.S. banks and other financial institutions. Under this language, for example, any bank which has a branch abroad would be both a "domestic financial institution" and a "foreign financial agency" within the

meaning of these definitions in S. 3678. It is recommended S. 3678 be amended to conform to Section 203(g) and (h) of H.R. 15073.

Moreover, it would appear that the Secretary of the Treasury does have authority to similarly confine the applicability of Title I, of both H.R. 15073 and S. 3678 to offices of financial institutions located within the United States. However, it would be desirable for this authority to be clarified in both bills.

6. Retention periods

The bills presently do not limit the authority of the Secretary to specify retention periods or required records. It is recommended the bills prescribe a general 6-year retention period with authority conferred on the Secretary to reduce the period generally or for specific types of records. It should also be provided that any record which has been called for by a Federal agency in connection with an investigation or proceeding must be retained while the investigation or proceeding is pending.

7. Types of institutions to maintain records or file reports

With respect to the persons engaged in various businesses which must maintain records under Title I of the bills, it should be noted that in section 123, S. 3678 applies to a much narrower group of functions than H.R. 15073. The reason for this is not clear. Since the purpose of this section should be to eliminate potential loopholes which otherwise could permit the international transfer of funds through businesses which would not have to maintain records of such tranfers, it is recommended the language of section 123 in S. 3678 be amended to be consistent with and as broad as the language of H.R. 15073.

With respect to the definition of a "financial institution" found in section 203(e) of Title II of the bills, the New York Clearing House has recommended it be broadened to also include specifically agencies within the United States of foreign banks, travel agencies, licensed transmitters of funds, and telegraph companies. The Treasury believes this recommendation has merit.

8. Purpose of Title II

As originally introduced, H.R. 15073 stated a number of purposes, including facilitating the supervision of the business of banking, the establishment of civil liabilities, the regulation of the value of money and the collection of statistics necessary for the formulation of monetary and economic policy. The Treasury argued that the only proper purpose of the bill is to assist criminal, tax and regulatory investigations and proceedings. The House accepted this view in part and amended Title I in conformity therewith. For example, new section 21 of the Federal Deposit Insurance Act was amended by the House to provide:

"It is the purpose of this section to require the maintenance of appropriate types of records by insured banks where such records may have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings." (Section 21(a)(2)).

However, the stated purposes of Title II, set forth in Section 202 of H.R. 15073 and S. 3678 have not been changed. Section 202 still provides, "The purposes of this title are (1) to facilitate the supervision of financial institutions properly subject to Federal supervision, (2) to aid duly constituted authorities in lawful investigations, and (3) to provide for the collection of statistics necessary for the formulation of monetary and economic policy." The Treasury urges that Section 202 be amended to make it clear that the only purpose of Title II is to assist criminal, tax and regulatory investigations and proceedings. This is especially important to avoid unnecessary incursions on the right of privacy. Also, under Section 204 of the bills the authority of the Secretary of the Treasury to prescribe regulations for the implementation of Title II is limited to those "he may deem appropriate to carry out the purposes of this title."

9. Definition of monetary instruments

Originally the reporting requirements of H.R. 15073 were limited to specified transactions in U.S. currency. The Treasury recommended that this be enlarged to include items equivalent to U.S. currency. The purpose of this change was to close a potential loophole through which reporting requirements could be avoided by not using U.S. currency but rather its equivalent. The House Banking and Currency Committee responded by extending the reporting requirements to

specified transactions in monetary instruments and Section 203 defined "monetary instruments" to include "coin and currencies of the United States, and in addition such foreign coin and currencies and such types of checks, bills, notes, bonds, or other obligation or instruments as the Secretary may by regulation specify * * *" The Committee Report on H.R. 15073 clearly indicates this definition is intended to be no broader than to include "bearer instruments which may substitute for currency." (page 22). In order to more restrictively define the types of noncurrency items included within the term "monetary instruments" within the statute itself, it is suggested the definition of "monetary instruments" be amended to include "coin and currency of the United States, and in addition such foreign coin and currencies, and such types of travelers' checks, bearer negotiable instruments, bearer investment securities, or their equivalent, as the Secretary may by regulation specify." The term "or their equivalent" is necessary to permit the Secretary of the Treasury the necessary discretion to include other types of instruments which are easily transferable which may not be bearer in form. For example, a nonbearer security accompanied by a power of attorney could be negotiated by a series of individuals without leaving a record of the chain of ownership. The Secretary should be empowered to include such instruments within the definition of "monetary instruments." Otherwise, serious loopholes in the legislation could develop.

10. Inconsistency with S. 30, the Organized Crime Control Act

The immunity provision in S. 3678 and H.R. 15073 is inconsistent with S. 30, the pending Organized Crime Control Act. The immunity granted by Section 211 of S. 3678 and H.R. 15073 would apply to the transaction with respect to which the witness is compelled to testify. On the other hand, the policy of the Administration reflected in S. 30 and as expressed in the testimony of Assistant Attorney General Wilson, is that the appropriate scope of immunity is with respect to the testimony and that the immunity should not bar prosecution with respect to the transactions testified to if other evidence is obtained with respect to that transaction as long as the other evidence is obtained independently of the testimony with respect to which the immunity applies. Therefore, the Treasury endorses the recommendation of Assistant Attorney General Wilson that Section 211 either be deleted or made to conform to the immunity provision now appearing in S. 30.

11. Filing Treasury currency reports

Section 223 of the bill provides for a reporting procedure under which domestic financial institutions could be designated to receive Treasury currency reports to which they were not a party, and then transmit them to the Treasury Department. Since the Treasury believes all Treasury currency reports should be filed directly with the Treasury Department, Section 223 is superfluous and should be deleted.

12. Cumulative exports and imports of monetary instruments

Section 231 of H.R. 15073 and S. 3678 requires that any person who participates in the transportation of monetary instruments in an amount exceeding $5,000 on any one occasion or $10,000 in any calendar year to report such activity if it involves a place outside the United States. The reporting requirements applicable to cumulative transportation of monetary instruments in excess of $10,000 would be extremely difficult, if not impossible, to implement from an administrative standpoint. For example, if an individual failing to file a report were found to be transporting less than $5,000 worth of monetary instruments in his possession, it would not be ascertainable whether he had transported an additional amount during the calendar year to reach a cumulative figure in excess of $10,000.

Therefore, the Treasury recommends the deletion of the $10,000 cumulative reporting requirement.

13. Reports of exports and imports of monetary instruments

Section 231(b) of the bill sets forth the information that can be required by the Secretary of the Treasury in reports of exports and imports of monetary instruments. As presently drafted, this provision does not provide sufficient authority to the Secretary to require additional information which he may deem necessary for these reports to be effectively utilized. For example, it would not presently permit the Secretary to require individuals filing these reports to pro-

vide their social security numbers which are necessary to relate the information contained in the reports to taxpayers' general tax records. This section should be redrafted to broaden the Secretary's authority to require relevant information in reports of exports and imports of monetary instruments.

14. Section 241

Section 241 authorizes the Secretary of the Treasury to impose four independent requirements in connection with international transactions and relationships: (1) require reporting by financial institutions of their clients' international transactions and relationships; (2) require reporting of these transactions and relationships by the clients (U.S. citizens, residents, and persons in the U.S. doing business therein) themselves; (3) require recordkeeping by financial institutions of their clients' international transactions and relationships; and (4) require recordkeeping of these transactions and relationships by the clients themselves.

With respect to the first requirement, reporting by financial institutions, for the reasons set forth in the June 9, 1970, testimony of Assistant Secretary Rossides, the Treasury Department has concluded it would be inappropriate to support legislation requiring reports by financial institutions of information obtained from the records of international transactions.

With respect to the second requirement, reporting by clients, the Treasury already has announced that taxpayers will be required under existing statutory authority to report the existence of interests in foreign bank, brokerage, and similar accounts on their tax returns. Since the Internal Revenue Service already is empowered to issue a summons for records of any specific taxpayer involving his transactions with a foreign bank account, a burdensome reporting requirement on taxpayers involving individual transactions with these accounts would not be justifiable. In any instance in which the disclosure of the existence of an account or other information raises questions of tax liability for which the Internal Revenue Service would need additional information of individual transactions, the IRS can obtain such records through the issuance of a summons. Therefore, the authority in Section 241 to require reports by individuals of transactions with foreign accounts is unnecessary.

With respect to the third requirement provided in Section 241, recordkeeping by financial institutions, the Treasury has indicated the need for such records. However, Treasury has suggested that these requirements be implemented in a more straightforward approach, under which international recordkeeping requirements would be limited to banks and other listed financial institutions in the United States, specified types of records would be listed, and the Secretary would be empowered to substitute for, eliminate from or add to the requirements by regulation. This could be accomplished by amending Sections 241 and 242 or by amending Title I.

With respect to the fourth requirement of Section 241, recordkeeping of foreign transactions by individuals, the Treasury has stated that it is considering the issuance of regulations pursuant to existing statutory authority requiring taxpayers with interests in foreign bank, brokerage and similar accounts to maintain specified records of transactions they have with these accounts. In view of the existing authority to implement such a proposal, the corresponding authority provided in Section 241 is superfluous.

Based upon the foregoing, Treasury recommends the deletion of Sections 241 and 242 of the bills, or its amendment along the lines suggested.

15. Administrative responsibility to assure compliance by financial institutions

The Treasury Department believes that the intent of the bills is to assign to the appropriate Federal agency the responsibility to make sure that banks, brokers and other financial institutions are complying with the requirements imposed upon them by the bills and the regulations issued thereunder. Such an intent was made specific in H.R. 16444 introduced by Representative Widnall on March 12, 1970. Section 405 of that bill provides—

"SEC. 405. RESPONSIBILITY OF SECRETARY

"The Secretary shall have the responsibility to assure compliance with the requirements of this Act and to the greatest extent possible delegate such responsibility to the appropriate bank supervisory agency, or other supervisory agency."

H.R. 15073 and S. 3678 impose recordkeeping requirements for insured banks and for insured savings institutions in Title I in the form of amendments to existing statutes the enforcement of which has already been assigned to various federal regulatory agencies. In addition, the bills elsewhere impose recordkeeping and reporting requirements on uninsured bank and savings institutions and on certain other businesses which perform financial functions, as well as reporting requirements on insured entities. With respect to these recordkeeping and reporting requirements, it would be desirable for the bills to specify the responsibility of the Secretary of the Treasury to make sure that the requirements are being carried out and to make appropriate delegations of responsibility. The Treasury urges that the bills be amended accordingly.

16. Enforcement authority with respect to reports of exports and imports of monetary instruments

Section 302(g) of H.R. 16444 specifically authorizes the Secretary of the Treasury to prescribe regulations including "the procedures to be followed by the Bureau of Customs, including border and mail checks, to assure compliance with the requirements imposed by this chapter." While it is believed the intent of H.R. 15073 and S. 3678 is to authorize such procedures, it would seem desirable that the bills contain a provision comparable to Section 302(g), H.R. 16444.

17. Sharing information contained in reports with other Federal agencies

The reports required to be filed under Title II of H.R. 15073 and S. 3678 are to be filed with the Treasury Department. In order for full use to be made of these reports in accordance with their intended purpose, it will be necessary for other agencies to have access to them. While the Federal Reports Act of 1942 (44 U.S.C. 3507) provides for the sharing of information between Federal agencies, it does not apply to the release of information by the Internal Revenue Service. Release of information by the Internal Revenue Service is governed by Section 6103 of the Internal Revenue Code which provides that returns made with respect to income and certain other taxes "shall be open to inspection only upon order of the President and under rules and regulations prescribed by the Secretary or his delegate and approved by the President." While it would appear that the quoted language would give the President authority to provide for the sharing of the information obtained from reports filed under Title II by the Internal Revenue Service with other agencies, it would be useful to clarify this authority.

18. Margin requirements

Section 301 of the bills would give the Federal Reserve Board clear authority to apply margin requirements not only to lenders but also to borrowers. This is an entirely new concept in the regulation of credit as margin rules have been only applied in the past to lenders.

The Administration supports the extension of the margin requirements to borrowers provided it is made clear that there is no intent to regulate the availability of credit abroad to foreigners. Therefore, Section 301 should be amended to provide that only borrowers who are American citizens or residents and foreign persons controlled by or acting for them are subject to these requirements. In addition, it should be made clear that the requirements are applicable only with respect to the purchase of U.S. securities, or of foreign securities where the transaction is executed in the United States.

Moreover, as a technical matter the Treasury recommends these substantive changes in the margin requirement law be accomplished through the enactment of a new section rather than by amendment of Section 7(a) of the 1934 Act.

19. Restrictions on dealing with foreign financial agencies

For the reasons stated in the statement of Assistant Secretary Rossides on June 9, 1970, the Treasury recommends the deletion of this provision.

20. Administrative Procedure Act

In promulgating regulations under this legislation, the Administrative Procedure Act would be applicable. This would require that the notice and public procedure provisions provided in 5 U.S.C. 553 be followed.

Exhibit 33a.—Remarks by Assistant Secretary Rossides, June 24, 1970, before the Senate Select Committee on Small Business, on the action program of the Treasury to combat international cargo theft and pilferage.

I am pleased to be here today to present the views of the Treasury Department on international cargo theft and pilferage in general, and to report to you on the current drive of the Treasury to combat such theft through a three-point action program of the Bureau of Customs.

Our action program attacks cargo theft and pilferage through:

—Stricter cargo accountability,

—New regulations providing for personnel identification and improved physical security of cargo, and

—Reviewing the desirability of additional authority for establishing national standards for cargo facilities and extending licensing requirements.

This action program ties in with two top priority Presidential concerns—the drive to stop smuggling of narcotics into the United States and the campaign against organized crime.

The Treasury Department has followed with great interest the investigations of your committee. We congratulate your committee for spotlighting this very important problem area. We will submit a technical report on S. 3595.

Although your staff is familiar with the role of the Bureau of Customs, I would like to establish the perspective from which customs sees its involvement in the matter of security of cargo.

Cargo in international trade is exposed to theft and pilferage at many points from the time it leaves the foreign producer until it reaches the consumer in the United States. Some losses, of course, occur in transit in the foreign country and while awaiting loading either at docks or airports abroad prior to transoceanic shipment. The shipment arrives in the United States, is held by the carrier for a brief period until it has been cleared by customs, and is then transported inland either by freight forwarders or by the importers via their own transport.

From the time that the merchandise physically touches the territory of the United States, either being unladen from an airplane at an airport of entry or from a vessel onto a dock, it is under "customs custody" until released by customs for entry into the commerce of the United States. After this release, delivery may be made by the carrier either directly to the importer or to a designated agent, such as a customhouse broker or freight forwarder.

It is this period of customs custody, including the point of delivery by the carrier, with which customs is and should be concerned. During this period the carrier is responsible for insuring the physical security of the merchandise. Customs, however, does exercise control over movement of the cargo by the carrier until a suitable arrangement for payment of duty has been made and until customs is satisfied that contraband, such as heroin and cocaine, is not being smuggled into the United States.

Clearly, any theft or pilferage of merchandise, once it has landed and until its release from customs custody, threatens the proper collection of duty and the prevention of smuggling, with which customs is charged. Moreover, customs already has personnel physically present at the airports and docks, at the terminals and warehouses. And these personnel—inspectors, agents, and enforcement officers—are vested with unique powers of search and seizure without being required to show probable cause, which makes for strengthened law enforcement at our borders and ports of entry.

It is on the basis of these interests and capabilities that I am able to report to you this morning a threefold program upon which the Treasury Department has embarked to contribute its full share to the protection of cargo against theft and pilferage during this segment of the trade chain. This will strengthen our ability to collect revenue and, as important, our ability to contribute strongly to the President's drives against drug smuggling and organized crime.

Treasury's three-part program

The Treasury established early this year a special task force to study the problem of cargo theft prevention. The task force first examined what we could do administratively, and we have already moved forward in that area. We are now determining what additional legislative authority appears necessary or desirable.

The Treasury program focuses on the problem in three principal ways:

Cargo accountability.—We propose to tighten the carriers' accountability for

cargo from the moment of unlading until the moment of delivery to the importer or his bona fide agent, so that there can be no question whether a loss has occurred while the merchandise is in the physical custody of the carrier.

Personnel identification and improved physical security.—We intend to intensify greatly our investigations of persons associated with cargo handling so as to reduce to a minimum the number of individuals with criminal backgrounds or susceptible to criminal inducements who may have access to customs documents and to merchandise under customs custody. Also, permits to unlade would be contingent on transport and storage of the cargo under security conditions approved by customs.

National standards for storage and handling of cargo and extended licensing.—We are reviewing the desirability of obtaining additional legislative authority to establish more extensive physical standards for the protection of cargo and to extend licensing to additional personnel and firms.

In order to clarify the applicability of each of these measures to the period of customs custody, several points of particular vulnerability for cargo theft and pilferage should be noted:

—The first of these is the process of unlading and movement to terminal storage. When cargo is being unladen from an aircraft and transported, frequently several miles, to the air carrier's terminal warehouse, there are opportunities for removing a package from the aircraft directly into private channels, or for dropping off the transporting truck or van one or more packages which can be picked up by a confederate in a following vehicle. Similar diversion of a package or carton can be effected on the docks.

—In the terminal, merchandise, especially high value merchandise, if not given separate secure storage, is vulnerable to theft and pilferage.

—And, at the time of delivery from the terminal to the importer or the freight forwarder, additional merchandise beyond that for which the trucker has legitimate papers can be added to the loading of the truck, or delivery can be made to a false claimant.

As your committee has noted, objective data on the incidence of theft during these stages is not available. However, the consensus of a number of supervisory customs inspectors involved in clearing cargo at airports suggests that, of the total losses during customs custody perhaps 5 to 10 percent of the theft or pilferage occurs between the aircraft and the terminal warehouse, perhaps 15 percent by pilferage within the warehouse, and 75 to 80 percent through collusion between truckers and the carrier's cargo handlers in delivering goods at the warehouse dock. We would expect roughly similar ratios on the waterfront.

Organized crime is undoubtedly a significant factor in theft of cargo. This is a development that must be recognized and dealt with effectively if any meaningful progress is to be achieved. A favorite device of organized crime is placing individuals with serious criminal records on air freight, airline, and warehouse company payrolls as cargo handlers. These corrupt and corruptible handlers then become principal actors in collusive theft.

Customs' pilot program at JFK International Airport

JFK Airport presented such a special problem, including involvement of organized crime, that we began a pilot program of immediate remedies there in May. These are administrative measures that the Bureau of Customs has undertaken under its current authority.

In late April, our customs director at JFK Airport met with all airline managers at JFK and outlined the following new procedures:

1. Carriers are required to segregate high-value merchandise and any broken packages or cartons as they are unladen from the aircraft and to transport these promptly to terminal warehouses in closed trucks.

2. On arrival at the warehouse, high-value goods must be moved into "strong rooms" or special security storage cages, and broken packages repaired or repacked. Customs will deny to importing carriers permission to unlade their aircraft if these procedures are not carried out.

3. A new pick-up document is now in universal use at JFK Airport. This form employs authentication by the consignee or, in the case of brokers, validation similar to that used in mechanical checkwriters and is designed to prevent unauthorized truckmen from driving off with whole loads by presenting false documents. A stamped copy of the pick-up form must be retained by the trucker as

proof of authority to have the merchandise on his truck if he is stopped by customs agents at check points.

4. Backing this up are fraud-prevention cameras which take simultaneous photos of the pick-up form and of the trucker or other person receipting for the merchandise.

5. New lock boxes, similar to post office boxes, have been installed at JFK Airport to insure that papers for importers and customhouse brokers cannot be taken, or even scanned, by unauthorized individuals.

The 35 airline representatives attending the meeting pledged support for this enforcement program. Customs inspectors will insure compliance by spot checking unlading of aircraft and deliveries from carriers to truckers.

Regulation changes

The second phase of our program would apply these and additional measures nationwide by changes in Customs Regulations. One of these notices of proposed rulemaking, which appeared in the Federal Register on June 6 (35 FR 8829), would, we believe, improve the accounting for cargo by carriers, from unlading to delivery to importer, by increasing the incentive to avoid payment of duty on undelivered merchandise.

The second notice of proposed rulemaking will be published later this week. If placed in effect in their proposed form, these regulations would empower District Directors throughout the country to adopt measures similar to those in effect at Kennedy, as well as additional measures in the area of personnel controls, wherever a high incidence of theft warrants such action.

Under the new personnel measures, carriers would be required to furnish lists of persons employed in connection with unlading, storage and delivery of imported merchandise; in high-risk areas, such employees would be required to be fingerprinted, and if they met customs standards, customs photo ID cards would be issued to them, without which access to cargo in customs custody would be denied. These are proposed as conditions for a permit to unlade.

Similar requirements would be levied on bonded warehouses and licensed cartmen and lightermen.

Since customhouse brokers are required to exercise "responsible supervision and control" over the transaction of customs business, similar listing of personnel or qualification by their personnel for an ID card would be required. And when a broker employs a messenger firm to transport customs documents, similar listing and identification would be imposed on employees of the messenger firm.

The Organized Crime Section of the Bureau of Customs already has underway a reinvestigation of all licensed cartmen, customhouse brokers, and operators of bonded warehouses and container stations. This will cover not only the individuals holding the licenses, but also stockholders, directors, and officers of firms involved. The same increased investigation standards will, of course, apply to the issuance of new licenses.

Legislative considerations

In addition to these administrative measures, we are examining the need for additional legislative authority. Such legislation may include action areas such as:

1. Establishment in high-risk areas of additional security standards covering physical facilities and equipment.

2. Licensing of truckers, trucking firms, and certain other personnel seeking access to these high-risk areas.

To summarize, Treasury feels it has a special responsibility to deal with theft of cargo in international trade and a special capability to do so. We have already in effect at Kennedy Airport measures to tighten customs' controls and to establish certain cargo handling and storage standards. These measures are incorporated in the proposed changes to Customs Regulations, which would also improve the carriers' cargo accountability and would enable customs to identify those individuals handling or processing international cargo who have organized crime connections or criminal backgrounds, and those who fraudulently take delivery of merchandise. And, thirdly, we are investigating legislation to cover national standards for cargo facilities and licensing of additional personnel and firms.

We are not, of course, pretending to eliminate all theft of cargo. For instance, hijackings which occur after merchandise has been released by customs are out-

side our purview. Nor are we proposing to replace local police or private security guards. Imported merchandise is in the physical possession of the carriers until it is delivered to the consignee or his agent, and responsibility for safeguarding it rests squarely on the carriers. And, as you are probably aware, the Department of Transportation is also in the process of studying this problem area.

However, through this Treasury three-part action program, we believe swift and substantial improvement can be made in combatting theft and pilferage of cargo, while also aiding in the vital areas of President Nixon's top priority programs against the smuggling of narcotics and against organized crime.

International Financial and Monetary Developments

Exhibit 34.—Statement by Secretary Kennedy, July 28, 1969, on ratification of the Special Drawing Rights Amendment

The International Monetary Fund informed me today that the Amendment to the Fund's Articles of Agreement, which includes the provisions for the Special Drawing Rights facility, has been formally ratified and has now entered into force. For the first time, the nations of the world can, by conscious international decision, create international reserve assets to supplement supplies of gold and foreign exchange.

The Amendment is the first major change in the Articles of the Fund since the original Bretton Woods Articles became effective in December 1945. It represents an enlightened willingness of Fund members to work together in a spirit of cooperation to adapt the Fund Agreement to meet the problems of today and tomorrow.

I strongly support a decision to activate the Special Drawing Rights Facility in substantial amounts at the time of the Annual Meeting of the Fund later this year in Washington. I anticipate that the Managing Director will be able to make a formal proposal to that effect in ample time for a decision by the Governors.

The consensus reached among the Deputies of the Group of Ten at last week's meeting in Paris is a major step toward that objective.

We can, therefore, look forward with confidence to a reasonable rate of growth in world reserves in amounts adequate to support future expansion of international trade and payments.

The quinquennial review of quotas in the Fund is also due in 1970. The discussions among the Deputies point toward an enlargement in those credit facilities which will further strengthen the monetary system.

Exhibit 35.—Remarks by Secretary Kennedy as Governor for the United States, September 30, 1969, at the Joint Annual Discussion of the Boards of Governors of the International Monetary Fund and the International Bank for Reconstruction and Development and its affiliates

I am honored to address this annual session of the International Bank for Reconstruction and Development and the International Monetary Fund. The accomplishments of the quarter century since Bretton Woods reflect both the foresight of those who set these institutions on their initial course and the outstanding leadership that has guided their destinies over the postwar years. The President of the World Bank, Mr. McNamara, and the Managing Director of the Fund, Mr. Schweitzer, are carrying forward in this great tradition.

Anniversaries are a time for looking back on past achievements—and those of the Bank and the Fund are indeed impressive. But today is even more a time for looking ahead to the challenges of the next 25 years, for setting new goals, and for appraising our methods for reaching them.

I

In the field of development finance, Mr. McNamara has already pointed toward some new directions for the Bank's lending and outlined his thoughts on how we can better direct available resources to the points of urgent need. The forthcoming report of the Honorable Lester Pearson and his distinguished panel will

provide us all with a fresh perspective and thoughtful analysis to further stimulate our thinking and our actions.

This report is particularly timely for the United States. We are engaged in a comprehensive review of our own foreign assistance effort. It would be premature to anticipate the results of this study. However, I would like to emphasize two basic principles that will help guide my country's future efforts.

First, we are firmly committed to the multilateral approach to development financing, epitomized by the World Bank and its affiliates. This approach brings to bear on development problems the collective efforts and experience of all nations, large and small, rich and poor. It helps to achieve equity, both among donors and among recipients. One of President Nixon's first acts after assuming office was to recommend to the Congress our contribution to the then pending Second Replenishment of the International Development Association. We are pleased that this multilateral endeavor has been able to go forward.

Second, we are convinced that development can be accelerated if we enlist more effectively the vast potential of private enterprise. Too often, the individual in developing countries with ability and ambition, but with a paucity of resources, is denied an opportunity to help his country grow. Too often, companies with ample financial strength and technical competence shy away from the challenges to be found in less developed areas.

The 1970's are sure to require some new emphasis in the development process. But, in approaching the new decade, we must also deal forcefully with key problems already upon us.

For instance, the external debt problem has become acute. Debt reschedulings testify that the burden of debt servicing is already weighing too heavily on some countries. But debt reschedulings, in themselves, provide no general solution. Instead, debtors and creditors alike must aim to avoid unmanageable levels and structures of external debt. Assistance on realistic concessionary terms must be provided from a broader range of donor countries. Recipient countries, for their part, must see to it that they help create a climate in which funds can be efficiently used and internal development flourish.

We must also seek better ways of meshing development finance with the needs of balance-of-payments adjustment. When, as at present, a number of large providers of aid must simultaneously deal with problems in their international payments, the flow of real resources should not be interrupted. At the same time, balance-of-payments surpluses should more readily be put to work for development purposes, on appropriate terms.

The problem of coordination looms ever larger as the regional development banks grow side by side with the worldwide institutions. The variety of institutions now at work to complement national efforts makes it essential that we more consciously seek improved ways to fit the pieces together in mutually complementary and reinforcing ways.

I wonder, too, whether simple numerical targets for development assistance by industrial nations do not divert too much attention from the quality of the aid provided and the techniques employed.

Finally, I must emphasize that the building and expansion of new economies—as well as of old—must be achieved in a manner consistent with outward-looking trading and financial practices—practices which our predecessors launched when they adopted the Bretton Woods proposals and its trading system counterpart, the General Agreement on Tariffs and Trade. In this connection, I am glad to hear the Managing Director's statement that the Fund will be prepared to reinforce its collaboration with international institutions which have special responsibilities in the field of trade and aid.

II

I am acutely conscious of the fact that the climate for orderly economic growth everywhere will be enormously affected by the success with which we in the United States guide our own economy.

Looking back over the past decade or more, I believe there is room for some satisfaction. The 1960's have brought virtually uninterrupted growth of real production in the United States at the historically high rate of about 4½ percent a year. Despite evident flaws in the record, we also managed to maintain over that same period of time a somewhat better degree of internal price stability than nearly all of our major trading partners.

Nevertheless, when President Nixon and his Administration took office, this

inflationary process was well entrenched. Quite simply, the United States failed to respond with sufficient vigor in making available, without inflation, the resources required by the Vietnam conflict at a time of sharp increase in other public expenditures. Moreover, our traditionally strong trade surplus had almost vanished.

Some countries have no doubt welcomed the larger export markets that are the counterpart of the recent surge in U.S. imports. Forced growth in the U.S. markets under the pressure of inflation cannot, however, be a sound basis for sustained payments equilibrium. Moreover, we recognize that the pressures on our own money markets have contributed to the worldwide upward racheting of interest rates.

Those same market pressures have been reflected in a massive flow of private short term capital to the United States. This has tended to keep the dollar strong in the exchange markets, and to hold down or reduce foreign official dollar holdings. But short term capital inflows are not an effective substitute for a stronger payments structure, solidly rooted in a current account surplus large enough to support a steady flow of aid and foreign investment.

President Nixon has made control of inflation his first domestic priority. By now, the basic strategy of his Administration for achieving this goal through the coordinated use of expenditure, tax, and monetary policies is widely understood.

Those policies are not—nor did we anticipate that they would be—painless. The President has pledged a strict limit of $192.9 billion on budget spending during the current fiscal year, a figure below congressionally authorized ceilings. To keep within that limit at a time of higher costs all along the line, and despite social programs that demand larger financing, we have had to cut $7.5 billion from program levels planned in the budget submitted to the Congress last January. Significantly, the expenditure total planned for the entire fiscal year allows for virtually no increase from the current rate of defense and civilian spending.

This restraint is being achieved at a time when the Vietnam conflict is continuing. Looking ahead, however, let me assure this audience that the people of the United States are solidly behind President Nixon in his efforts to bring about a just and honorable peace in Vietnam.

We have continued the 10-percent income tax surcharge through the remainder of this calendar year and have requested the Congress to maintain half of that surcharge for an additional 6 months. We are also moving to eliminate the special tax credit for business investment. These revenue measures, combined with the control on expenditures, are designed to produce an overall budgetary surplus of nearly $6 billion—the largest in 18 years.

Meanwhile, the expansion of money and credit has been slowed sharply. Our lending institutions are unable to satisfy fully the demands for credit, and the effects are being felt on important sectors of the economy. Where possible, we have moved to ease points of excessive pressure, such as those on housing activity. But we are determined to maintain the basic thrust of our restrictive policies until the overheating is visibly dissipated.

Eight months ago, we knew that controlling inflation without precipitating a serious recession would be a long and difficult process. It requires holding the rate of public and private spending below the basic trend of growth in capacity and output, thereby relieving excessive pressure on our resources. That process is now well underway, and we anticipate further slackening in the quarters immediately ahead.

Clearly, a reduced rate of growth is not a long term policy objective. But it is essential to an effective attack on inflation, and it should be a prelude to renewed growth at a sustainable pace.

Experience warns us that the trend of prices—particularly of services and consumer goods—levels off only after a considerable lag behind other business indicators. So far, we can see only scattered and not wholly conclusive signs of an easing of price pressure.

In these circumstances, it is not time to shift gears. I believe we are realistically aware of the inevitable risks on either side of the course we have set for ourselves. But all our planning is rooted in the basic proposition that the firm and persistent application of appropriate fiscal and monetary restraint can lead us past those shoals into calmer waters.

III

Tension and pressures have also been evident over recent years in the international monetary system, and speculative outbursts have recurred. Indeed, it is a tribute to the underlying strength of the system devised at Bretton Woods and to the spirit of cooperation nurtured by the International Monetary Fund that disturbances have been contained and that world trade and payments have continued to grow at a rapid rate.

Yet we still face the challenge of moving in a coordinated way to close the persistent imbalances in trade and payments among the major countries that have contributed so importantly to the monetary strains. There can be no escape in this process from the need for effective national economic policies.

I have already commented upon the circumstances in the United States. In the case of the United Kingdom, we have highly encouraging evidence that the underlying trend in its balance of payments is noticeably improving, and a current account surplus has been reestablished. France has, within recent weeks, launched a program to complement the adjustment in the franc parity. Consequently, there is a real improvement in the prospects of important countries which have experienced an erosion of their external positions over recent years.

It is vitally important that this recovery not be slowed by an unwillingness of countries in a strong position to see a decline in their trade balance. Sizable trade surpluses happen to be highly concentrated among only a few countries. We look to these countries to not only refrain from resisting adjustment but, where possible, to take actions of their own to assist and encourage it.

Certainly, solutions should be found other than internal inflation, and the prescription appropriate for one country may not be suitable for another. But it is equally clear that, in each case, much could be done to spread and diffuse existing surpluses in ways that support both the broad objectives of freer trade and internal stability. Import controls, systematic tying of aid, failure to share fully in the burdens of defense, preferences for domestic production, export incentives and inhibitions on capital exports are all out of place for countries with current account surpluses ranging as high as 2 percent or 3 percent of domestic production. The processes of international consultation and cooperation embedded in the IMF might well be reviewed to assure that the policies of chronic surplus countries are subjected to the same searching evaluation that is more or less automatically given to deficit countries.

IV

Strong ties of trade and investment, close links between financial markets, and the rapidity of communication and transportation in the modern world make each country highly sensitive to developments abroad. Yet we live in a world of nation-states, each of which seeks to preserve a degree of economic independence.

We must face the facts of differing emphases in national policy objectives, changes in the structure of industry and population, cyclical excesses or deficiencies of internal demand, the economic consequence of social disturbances, and rigidities of costs and prices. Any of these factors can become a source of disturbance and uncertainty. At least temporary imbalances are inevitable, and every country wants to preserve some margin of liquid financial resources to buttress its freedom of action.

Our international monetary arrangements will serve us well or poorly to the extent that they can absorb and diffuse sources of strain on exchange markets, provide effective incentives for national adjustment, and thus maintain an efficient and durable mechanism for the finance of trade year in and year out. It is one of the great strengths of the present system that, through the years, it has demonstrated a capacity to evolve and grow in response to changing needs.

Indeed, in adopting the first amendment to the IMF Agreement since Bretton Woods, we now stand on the threshhold of a fundamental development: the creation of a new reserve asset—Special Drawing Rights. We are indebted to those who years ago not only foresaw the potential need for supplementing the traditional sources of reserve creation, but who worked tirelessly to translate general concepts into concrete reality.

Their efforts could not have come to fruition at a more opportune time. I believe the Fund's Annual Report, and even more the report embodying the Managing Director's proposal for activation of the Special Drawing Rights, makes amply clear that the contingency against which we have been planning has now

arrived. The United States, therefore, fully supports the proposal to move promptly to meet the acknowledged need for growth in international reserves through activation of the new facility. We particularly welcome the sense of conviction and confidence that enables us to move forward to use this new instrument in substantial amounts, reasonably commensurate with need.

I recognize, but do not share, the concern expressed by some that fresh additions to world reserves might delay the necessary adjustment of payments imbalances. I am persuaded that, in fact, the opposite is true. Without a timely supplement to world reserves, the efforts of deficit countries to eliminate those deficits could be made more difficult, and could even be frustrated, by actions taken by other countries to safeguard their existing reserves. Moreover, I can assure you that, for the United States, the activation of this facility will in no way diminish our efforts to bring inflation under control.

As we enter this new era of managed reserve creation, SDR's will have to find their proper role within the total complex of reserve assets and credit facilities. There is no doubt in my mind that, within the basic framework of the amended Fund Articles, we will jointly demonstrate our ability to use this new reserve asset constructively—in the same spirit of cooperation that was essential to its development.

SDR's have properly been at the center of attention in recent discussions of international liquidity. However, the regular drawing rights in the IMF also have an important role to play. The approach of the period of quinquennial review makes this an appropriate occasion for surveying the size of Fund quotas. Preliminary discussions indicate that a number of questions remain to be resolved before a concrete proposal can be presented to the Governors. I feel certain that this matter can be satisfactorily resolved within the framework of a reasonable increase in the overall size of the Fund at an early date.

V

The clear progress we are making in dealing with the provision of international liquidity must not divert our attention from other sources of strain. I have already noted that the process of international adjustment has not been working with full effectiveness, and that the difficulties in this regard are in large part a byproduct of inadequate or inappropriate domestic policies.

At the same time, I believe we must recognize that events themselves have raised new questions as to the appropriate role for adjustments in exchange rates—not as a substitute for, but as a complement to, other policies. I have particularly in mind the range of proposals for "limited flexibility" to which Mr. Schweitzer alluded yesterday.

These proposals all look to less rigidity in the exchange rate mechanism than has in fact developed in the practices of industrialized countries. Some suggested approaches would, in practice, affect only a handful of currencies, or would introduce largely technical changes in the management of exchange markets. Other versions—such as those for a very substantial widening of exchange rate margins—would appear to introduce so large an element of uncertainty, and be so at variance with the basic objectives of the Fund, that they probably do not need to occupy our attention.

Certainly, in the United States we have reached no conclusion on the desirability of any particular proposal. I would, however, like to share with you some of the relevant points that, on the basis of our own review of the matter, we believe should be kept in mind in further investigations in this area.

In the first place, the various plans for "limited flexibility" in exchange rates seem to pose formidable technical and policy problems that will require careful study over a considerable period by national authorities, as well as international monetary bodies, before any consensus is possible.

Secondly, well-conceived changes, as part of their basic design, should reduce incentives for speculation, or make it more costly. Thus, if it is to be successful, any proposal must come to grips with the difficulty of confining changes in exchange rates within carefully defined limits, while providing enough flexibility to reduce the need for, and expectations of, large abrupt changes in parities.

Third, we should not lose sight of the fact that any reasonable scheme to remove undesirable rigidities in exchange rates would have to be built upon the foundation of responsible and appropriate internal policies, so that the need for large and discrete changes in parities should arise even less frequently than in the past. Similarly, the world would continue to require an orderly growth in

reserves and credit facilities, to facilitate the maintenance of parities within established and relatively narrow ranges.

Fourth, given the pivotal role of the dollar in the international monetary system, the initiative for even limited exchange rate adjustments would continue to lie with countries other than the United States. As a corollary, we must guard against the possibility of encouraging a bias toward devaluations.

It is implicit in these comments that we believe that proposals for limited flexibility in exchange rates offer no panacea for present problems. Nonetheless, the increasingly widespread discussion of these ideas in this country and abroad reflects a real concern over the need to facilitate, over a period of time, a better working of the adjustment process. In concept, these proposals seek to preserve and enhance the basic stability of the system as a whole precisely by breaking down unnecessary rigidities and inhibitions to orderly change, when change is necessary.

In this light, efforts to define and develop techniques of limited flexibility need not be looked upon as radical new departures from the main stream of developments in the monetary area. Instead, they seem to me to fall within the framework of orderly and evolutionary change and of multilateral monetary cooperation.

As I have noted, these devices have had no official sanction and are full of subtle and unsettled technical and policy questions. In sum, they are a long way from fruition, if, indeed, some variant proves practical at all in the end. But neither are these ideas something that we can, or will, responsibly ignore.

I, therefore, welcome the Managing Director's statement, elaborating on the Fund's Annual Report, that the Fund will be continuing its study and appraisal of these questions. The United States will actively participate in and contribute to such a study. We would hope that, during the coming months, the Fund will examine proposals for limited exchange flexibility, determine which particular proposals appear worthy of further attention, and set forth the major issues and considerations that would concern officials of member governments as they formulate considered judgments on such matters.

In conclusion, let me say the principal contribution of the United States to the stability and viability of the international monetary system in the present setting is perfectly plain—to bring our inflation to an end and to do so without sending shock waves of recession to every corner of the world.

That is the main path we in the United States have set for ourselves. In participating in an examination of possible further improvements in our monetary arrangements, we will not be misled into thinking that we can dispense with the fundamental need.

Exhibit 36.—Communiqué of the Ministerial Meeting of the Group of Ten, October 1, 1969, Washington, D.C.

1. The Ministers and central bank Governors of the 10 countries participating in the General Arrangements to Borrow met in Washington on 1st October 1969.

In the absence of the Chairman for the current year, Mr. Karl Schiller, Minister for Economic Affairs of the Federal Republic of Germany, the meeting was first presided over by Mr. David M. Kennedy, Secretary of the U.S. Treasury.

The Ministers and Governors began by electing Baron Snoy et d'Oppuers, Minister of Finance of Belgium, Chairman of the Group of Ten for the coming year and he presided for the rest of the meeting.

Mr. Pierre-Paul Schweitzer, Managing Director of the International Monetary Fund, took part in the meeting, which was also attended by a representative of the Swiss National Bank, the Secretary-General of the Organization for Economic Co-operation and Development, Jonkheer E. Van Lennep, and the General Manager of the Bank of International Settlements, Mr. Gabriel Ferras.

2. The Ministers and Governors heard a report on the work of their Deputies by the Chairman of the Deputies, Mr. Rinaldo Ossola.

3. The Ministers and Governors noted the proposal made by the Managing Director of the IMF for the first decision to allocate Special Drawing Rights and agreed to support this proposal.

4. In order to strengthen the liquidity of the Fund, the Ministers and Governors also expressed their willingness to support, during the forthcoming quinquennial review, an appropriate adjustment of the quotas of members of the

IMF. They will support general increases of reasonable size and such selective adjustments as may be agreed in the Fund for the purpose of bringing the relative size of quotas more into line with the present economic relationships between IMF members.

5. The Ministers and Governors noted that the Participants in the General Arrangements to Borrow had, under these arrangements, been called upon twice in 1969 to provide the IMF with supplementary resources for a total amount of $575 million. In view of the important contribution which the General Arrangements to Borrow provide for the smooth functioning of the international monetary system, the Ministers and Governors agreed that these arrangements should be renewed next year for a period of 5 years.

6. The Ministers and Governors exchanged views on recent international monetary developments and, in particular, those concerning exchange markets and interest rates.

7. The Ministers and Governors instructed their Deputies to continue their regular meetings for the purpose of reviewing developments, and possible improvements, in the functioning of the international monetary system.

Exhibit 37.—Resolution on allocation of Special Drawing Rights for the first basic period, approved by the Board of Governors of the International Monetary Fund, October 3, 1969

Allocation of Special Drawing Rights for the first basic period

WHEREAS the Managing Director has submitted a proposal for the allocation of special drawing rights pursuant to Article XXIV, Section 4, of the Articles of Agreement of the International Monetary Fund; and

WHEREAS in the Report containing his proposal, the Managing Director has declared that, before making the proposal, he had satisfied himself that the proposal will be consistent with the provisions of Article XXIV, Section 1(a), and that, after consultation, he has ascertained that there is broad support among participants for the proposal;

WHEREAS the Managing Director, on the occasion of this proposal for the first allocation, has satisfied himself that the provisions of Article XXIV, Section 1(b), have been met and that there is broad support among participants to begin allocations; and

WHEREAS the Executive Directors have concurred in the proposal of the Managing Director;

NOW, THEREFORE, the Board of Governors, being satisfied that the proposal of the Managing Director meets the principles and considerations governing the allocation of special drawing rights set forth in Article XXIV, Section 1, hereby RESOLVES that:

1. The Fund shall make allocations to participants in the Special Drawing Account, in accordance with the Articles of Agreement, during a basic period of 3 years which shall begin on January 1, 1970.
2. Allocations during the basic period shall be made on January 1, 1970, January 1, 1971, and January 1, 1972.
3. Allocations shall be on the basis of quotas on the day before the dates of the allocations.
4. The rate for the first allocation shall be 17.5 percent and the rate for the second and third allocations shall be 15 percent, provided that these rates shall be adjusted, to the nearest one tenth of one percentage point, by multiplying them by the ratio of $20 billion to the total of quotas on the day before allocation of those participants which were members of the Fund on December 31, 1969.

Exhibit 38.—Announcement by the International Monetary Fund, January 2, 1970, of an initial allocation of Special Drawing Rights

The International Monetary Fund has made an initial allocation of special drawing rights equivalent to $3,414 million, effective January 1, 1970, to 104 participants in the Fund's Special Drawing Account.

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The allocation was made in accord with a Resolution adopted by the Fund's Board of Governors at its 1969 Annual Meeting. The Resolution approved a proposal of the Managing Director concurred in by the Executive Directors to allocate special drawing rights for a first basic period of three years, beginning January 1, 1970. The present allocation is made for the first year and will be followed by annual allocations on January 1, 1971 and January 1, 1972. Allocations are made at a rate expressed as a percentage of the quotas of participants on the day before the allocation in question, the percentage being such as to yield allocations close to the equivalent of $3.5 billion in the first year, $3 billion in the second year, and $3 billion in the third year.

The rate of allocation for the first year of the basic period was computed at 16.8 percent of the quota as of December 31, 1969, of each participant receiving an allocation.

International Monetary Fund, Special Drawing Account, allocations of Special Drawing Rights received by participants January 1, 1970

[U.S. dollar equivalents]

Participant	SDR	Participant	SDR
Afghanistan	4,872,000	South Africa	33,600,000
Algeria	12,600,000	Southern Yemen	3,696,000
Argentina	58,800,000	Spain	42,000,000
Australia	84,000,000	France	165,480,000
Austria	29,400,000	Gabon	1,596,000
Belgium	70,896,000	Gambia, The	840,000
Bolivia	4,872,000	Germany	201,600,000
Botswana	504,000	Ghana	11,592,000
Brazil	58,800,000	Greece	16,800,000
Burma	8,064,000	Guatemala	4,200,000
Burundi	2,520,000	Guinea	3,192,000
Cambodia	3,192,000	Guyana	2,520,000
Cameroon	3,057,600	Haiti	2,520,000
Canada	124,320,000	Honduras	3,192,000
Central African Republic	1,596,000	Iceland	2,520,000
Ceylon	13,104,000	India	126,000,000
Chad	1,680,000	Indonesia	34,776,000
Chile	21,000,000	Iran	21,000,000
Colombia	21,000,000	Ireland	13,440,000
Congo (Brazzaville)	1,680,000	Israel	15,120,000
Congo, Democratic Republic of	15,120,000	Italy	105,000,000
Costa Rica	4,200,000	Ivory Coast	3,192,000
Cyprus	3,360,000	Jamaica	6,384,000
Dahomey	1,680,000	Japan	121,800,000
Denmark	27,384,000	Jordan	2,688,000
Dominican Republic	5,376,000	Kenya	5,376,000
Ecuador	4,200,000	Korea	8,400,000
El Salvador	4,200,000	Laos	1,680,000
Equatorial Guinea	1,008,000	Lesotho	504,000
Finland	21,000,000	Liberia	3,360,000
Malaysia	21,000,000	Luxembourg	3,192,000
Mali	2,856,000	Malagasy Republic	3,192,000
Malta	1,680,000	Malawi	1,890,000
Mauritania	1,680,000	Sudan	9,576,000
Mauritius	2,688,000	Swaziland	1,008,000
Mexico	45,360,000	Sweden	37,800,000
Morocco	15,120,000	Syrian Arab Republic	6,384,000
Netherlands	87,360,000	Tanzania	5,376,000
New Zealand	26,376,000	Togo	1,890,000
Nicaragua	3,192,000	Trinidad and Tobago	7,392,000
Niger	1,680,000	Tunisia	5,880,000
Nigeria	16,800,000	Turkey	18,144,000
Norway	25,200,000	Uganda	5,376,000
Pakistan	31,584,000	United Arab Republic	25,200,000
Panama	4,704,000	United Kingdom	409,920,000
Paraguay	2,520,000	United States	866,880,000
Peru	14,280,000	Upper Volta	1,680,000
Philippines	18,480,000	Uruguay	9,240,000
Rwanda	2,520,000	Venezuela	42,000,000
Senegal	4,200,000	Vietnam	6,552,000
Sierra Leone	2,520,000	Yugoslavia	25,200,000
Somalia	2,520,000	Zambia	8,400,000

Exhibit 39.—Remarks by Secretary Kennedy as Governor for the United States, April 10, 1970, at the 3d annual meeting of the Asian Development Bank, Seoul, Korea

It gives me great pleasure to participate again in the annual meeting of the Asian Development Bank. It gives me equal pleasure to join with my fellow Governors in welcoming France and Fiji to membership in the Bank.

It is fitting that this Bank should hold its Third Annual Meeting here in this vigorous city of Seoul. In the past decade the Republic of Korea has achieved an enviable record of development, and one of the world's highest rates of economic growth. Starting from the exhaustion and the devastation of war in the early 1950's, the Korean people applied their energies with the single purpose to the job of rebuilding and developing their country. We see ample evidence of their achievement here in Seoul.

Korea's progress is an example of the success of the cooperative approach to development. Korea's economic growth has resulted fundamentally from the labor and dedication of the Korean people. At the same time, foreign technical and capital assistance have contributed substantially to Korea's successful development. Furthermore, we see in the World Bank's consulting group for Korea, how consulting builds confidence and contributes to sound economic judgment.

Economic development such as we witness here in Korea testifies to the effectiveness of pursuing economic aid and development on a cooperative, multilateral basis. The Asian Development Bank incorporates such an approach. Its structure and its organization assure a sharing of responsibilities and benefits. To see that this sharing is real, it is sufficient to recall that 60 percent of the Bank's capital comes from its Asian member nations.

The structure and organization of the Bank reflect acceptance of the principle of partnership among nations. That principle, in turn, is a cornerstone of U.S. foreign policy. To underline this point, I would like to refer to a unique and important document issued by President Nixon on February 18 of this year entitled "United States Foreign Policy in the 1970's: A Strategy for Peace," which explores those principles essential to the success of the President's efforts to achieve and maintain peace. Among these principles, of course, is that of partnership.

Like most every ingredient of foreign policy, partnership has an economic dimension. Therefore, as Chief Financial Officer of the United States, it seems appropriate for me to focus on those economic policies which will so greatly assist in achieving a true and lasting partnership among nations. Such policies, of course, are concerned with the question of aid and how it may be most effectively applied. Yet these policies are directed as well to all aspects of economic interchange among nations.

With respect to the question of aid, it is our belief that a multilateral approach must play an increasing role in the provision of that aid. Further, it has become apparent that developing countries must play a larger part in formulating their own development strategies. In short, it is our conviction that partnership in economic development among those nations giving aid as well as between giver and recipient—is the best way of promoting growth and development. It is a conviction based on experience and observation reflected in the record of progress of such multilateral institutions as the International Bank for Reconstruction and Development, the Inter-American Development Bank, and now the Asian Development Bank.

The United States as well as other nations has not always been able to approach the aid question in such a manner. In the immediate postwar years, the United States conducted its aid program primarily on a bilateral basis. During that period there were many reasons for such an approach. To mention a basic consideration, the United States was one of the few nations which emerged from the ravages of World War II with a strong economy. Consequently, it was appropriate for the United States to promote, as rapidly as possible, the rebuilding of those economies destroyed by war. It became no less appropriate for the United States to stimulate economic development among lesser developed nations through its aid programs.

As we gained experience in the area of economic development, we saw a need to supplement the bilateral approach. The United States thus turned more and more to working in partnership with other nations in the aid process. Not only has the World Bank expanded but the Inter-American and Asian Banks have been

fostered. The results of this policy have been gratifying. A multilateral approach makes possible the use of the wealth of experience and expertise which people from different backgrounds bring together when they focus in economic aid, growth and development.

Any one country, of course, is most familiar with its own problems, its own institutions, and its own way of doing things. The solution it applies to its problems may not be appropriate in a different economic and social environment. This is a lesson we learned in the important first years of our aid programs. At the same time we found that economic development benefits immeasurably by drawing on the experiences of other people and their varied approaches to resolving their economic problems.

The regional development banks, especially, draw upon the benefits of each of these lessons. As economic development benefits from a multilateral, partnership approach to this problem, so does the very process of development play a crucial role in laying a groundwork of economic relations among nations which may well lead to durable partnerships. We know that economic development does not progress most rapidly in isolation. Quite the opposite is true. Voluntary economic interchange among nations—whether in terms of goods, services, capital or labor—is a mutually beneficial relationship. It is a relationship which allows each country involved to make greater economic gains than would otherwise be possible. Consequently, the results of economic interchange can provide a very important base upon which closer and more stable relations among nations may be built. With this thought in mind, I find it heartening to witness the growth of trade and economic exchange among the regional members of the Asian Development Bank. Korean–Japanese trade, for example, has grown immensely over the past years. The same holds true for the Republic of China and Japan as well as for trade relations between Japan and Australia, to mention but a few such examples. If the growth of economic ties among the regional member nations of the Asian Development Bank is impressive, so too is the growth of economic relations between these nations and the United States. Further, projections based on long term trends indicate that these ties will increase significantly over the next decade. For example, by 1980 the level of U.S. exports of goods and services will approach $130 billion. If this trend continues, exports will become an increasing percentage of U.S. gross national product and, therefore, U.S. interest in foreign markets for those goods will grow correspondingly.

By the same token we look for commensurate growth of U.S. imports. These magnitudes alone are significant. But more important are the relative trends with regard to the trading partners of the United States. If these trends continue, Asian nations will account for larger percentage of exports to the U.S. market by 1980 than they do now. Further, U.S. exports, in a relative sense, will be increasingly directed to Asian markets.

Just as U.S. exports and imports are expected to multiply in the next decade, so too are United States and foreign private capital flows expected to increase substantially. International capital movements in the decade of the seventies will be immeasurably enhanced by the tremendous growth and development of the multinational banks which progressed so dramatically in the decade of the sixties. Creation of the Euro-dollar and Euro-bond markets has increased the sophistication, integration, and efficiency of money and capital markets in the Western industrial nations. Similar developments are currently in progress in other centers of the world—notably in Tokyo, Hong Kong, and Singapore. Therefore, it becomes increasingly apparent that the financial links between East and West are growing in magnitude as well as sophistication.

In sum, I see the past decade as laying the foundation for even more growth in every feature of international trade and finance. It seems to me that the implications of this growth for our relations with Asian nations as well as with other nations are clear. As these interests grow, our commitments to partnership increase. Isolationism may have been possible in the world of trade barriers and currency blocs in the thirties; it seems apparent, however, that isolationism in a world of growing economic interests is a thing of the past.

The United States will remain clearly involved with the world outside its borders. But this involvement will continue to be based on the principle of partnership. This principle, as I have said, is the substance of the structure and activities of the Asian Development Bank. This principle, furthermore, is promoted by the growth of economic ties between Asian nations and other nations

of the world. Economic forces have always played an extremely important role in world peace and stability. In the coming decade with the world growing smaller and increasingly interdependent, the course of economic relations among nations may well make the difference between conflict and peace.

For these reasons, the United States will continue to advocate those policies designed to nurture economic ties among nations. We shall strive—in the future as in the past—to realize those principles underlying the International Monetary Fund and the General Agreement on Tariffs and Trade. We shall attempt to continuously enhance the economic dimensions of partnership.

Economic growth and development, stimulated by increased trade and capital flows among nations, is an essential condition as well as a primary objective in resolving difficulties among nations. And, as I have emphasized previously, it is my belief that a multilateral approach—be it in terms of aid, trade, or capital flows—is the best possible means of promoting this objective. Consequently, I want to commend the vision of the Asian Development Bank in applying the multilateral approach. Further, I wish it every success in the decade of the seventies. For the progress it makes in that decade will have a major role in determining how well we, as nations, conduct our affairs among each other and resolve our difficulties.

To make the necessary progress, however, the Bank must obviously have adequate resources. To help meet this need, President Nixon submitted to Congress his proposal for a U.S. contribution to the Bank's Special Funds. Under this proposal, the United States would pledge $100 million to the Special Funds of the Bank over a 3-year period—$25 million in the year ending June 10, 1970, $35 million in the following year, and $40 million in the 3rd year.

We are convinced that an adequate Special Funds concessional Financing facility is essential to the success of the Bank's activities and we are determined that the United States shall contribute its appropriate share. When the U.S. Congress has acted upon this legislation, it will enable the United States to join with present and future contributors to establish this necessary Special Funds facility on a firm, lasting, and adequate basis.

Finally, it will enable the Asian Development Bank to better promote that process of economic growth and development which is so important to the future of each and every one of us.

Exhibit 40.—Statement by Secretary Kennedy, April 16, 1970, before the House Committee on Banking and Currency on behalf of legislation relating to the International Monetary Fund, the International Bank for Reconstruction and Development, and the Asian Development Bank

I appear today to support authorization for the United States to:

—accept an increase in its quota in the International Monetary Fund;

—provide for a related adjustment in the capital subscription of the United States to the International Bank for Reconstruction and Development;

—contribute to the Asian Development Bank Special Funds.

Legislation to implement authorizations for these three institutions was introduced as H.R. 16891. Separate authorization bills were also introduced on the Asian Development Bank (H.R. 16641), and on the Fund and Bank (H.R. 16764). Since the authorization provisions of the three bills on the IMF, IBRD, and ADB are almost identical, I have not drawn any distinction among them in my testimony today. I will address myself specifically to the three additional provisions in H.R. 16891 at the conclusion of my remarks.

The International Monetary Fund has recently assumed additional responsibilities in administering the new Special Drawing Rights and is steadily growing in influence and importance as the primary institution for multilateral cooperation and action in international monetary matters. The World Bank fulfills a similar role in multilateral financing of economic development.

On the regional level, it is timely for the United States to join with other countries in strengthening the ability of the Asian Bank to meet a wider range of Asian development needs than it can satisfy from its ordinary lending window.

Approval of legislation necessary to carry out these purposes will permit the United States to maintain a role within these multilateral financial institutions that is in keeping with its economic and financial position among the nations of the free world.

Proposed legislation

The proposed legislation before the Committee would amend the Bretton Woods Agreements Act of 1945 essentially in two respects:

First, it would authorize the U.S. Governor of the Fund to consent to an increase of $1,540 million in the U.S. quota in the International Monetary Fund and authorize an appropriation for that purpose;

Second, it would authorize the U.S. Governor of the Bank to vote for a $3 billion increase in the capital stock of the Bank; subscribe to 2,461 additional shares of the Bank's capital; and authorize an appropriation of $246.1 million for this purpose.

In addition, the Special Drawing Rights Act would be amended to provide authority for the U.S. Governor of the Fund to vote for allocations of Special Drawing Rights to the United States in any future basic period in an amount equal to the U.S. quota in the International Monetary Fund.

The background of the proposed increase in resources is described in the Special Report of the National Advisory Council on International Monetary and Financial Policies which has been presented to you. Included in that report are the reports of the Executive Directors of the Fund and the Bank to the Boards of Governors of their respective institutions.

Finally, the Asian Development Bank Act would be amended by authorizing the United States to enter into an agreement with the Bank providing for a U.S. contribution of $100,000,000 to the Special Funds of the Bank.

Proposal to increase Fund quotas

This is the third occasion on which a proposal to increase the quotas in the Fund has been put before the member governments. The Fund Agreement entered into force in December 1945 with total quotas of approximately $7.2 billion. Although the Articles of Agreement provide for a general review of the adequacy of quotas every 5 years, there was no general increase in quotas of the Fund until 1958–59. At that time, there was a general upward revision of quotas by 50 percent. Special quota adjustments were also made for a small number of countries at that time. The total size of the Fund after these adjustments, and after taking into account the quotas of a number of new members, was $15.2 billion at the end of 1962.

In 1965–66, a second decision was taken to revise all quotas upward by 25 percent and to provide additional selective increases for 16 member countries.

In both the first and second enlargements of the Fund, the United States accepted its share of the general increases of 50 percent and 25 percent, respectively. On this third occasion, the proposed legislation recommends that the United States accept an increase of $1,540 million, raising the U.S. quota to $6,700 million. In this instance the United States would participate not only in the general increase, but also in the additional increases being provided for a number of countries in order to establish a better alignment between IMF quotas and the relative economic and financial positions of the respective member countries.

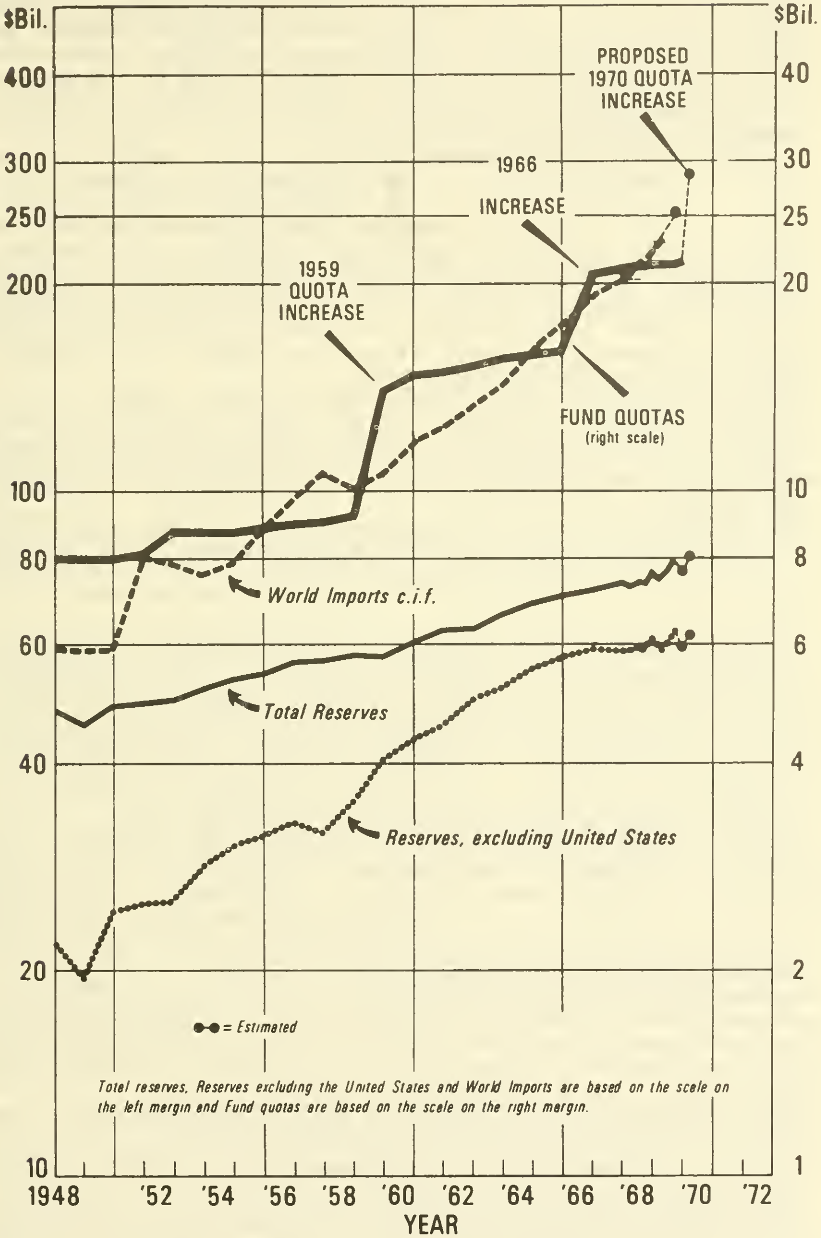
If all countries were to accept the quotas proposed for them, the total increase in the Fund's resources would be $7,577 million, raising the aggregate size of the Fund to $28.9 billion. This represents an enlargement of about 35 percent in the Fund's medium term credit facilities.

The proposed increase in the Fund's conditional medium term credit resources is needed at this time to keep pace with the growth in the world economy and world trade, and to provide larger drawing rights on these resources to member countries that have to cope with larger imbalances in their international payments as international transactions continue their rapid rise.

The two previous enlargements in IMF quotas have kept pace with the postwar expansion of world trade. The chart appearing on page 10 of the Report of the National Advisory Council, and attached to this statement, shows graphically the size of the Fund in relation to the upward curve of world imports, which have grown from $100 billion in 1958 to an annual rate of $250 billion in mid-1969. Once again, as in 1958 and 1965, the line representing Fund quotas has fallen below the rising curve of world imports. The proposed increases will restore a more appropriate relationship.

WORLD RESERVES, IMPORTS AND FUND QUOTAS

1948 to 1969



In recent years, we have also witnessed a rapid expansion in the size and volatility of international capital movements. To protect their economies from these sharp and sudden swings in capital, Fund members, especially the major industrial countries, have come to rely increasingly on the Fund's medium term credit facilities. In the 6 years since the end of 1963, drawings on the Fund aggregated $13.1 billion, almost twice the amount ($7.1 billion) drawn in the previous 16 years (1947 to 1963), and drawings by the industrial countries have risen at an even faster rate. Since these drawings are limited by each country's quota, the proposed increase in quotas would permit an expansion of the Fund's credit operations and thus provide more scope to redress payments imbalances without resort to undesirable restrictive practices.

The quota adjustments recommended by the Executive Directors of the Fund consist of increases of 25 percent or more for nearly all countries. On this occasion, a major effort is being made to readjust the relative proportions of quotas of countries which had not been appropriately aligned. To provide an initial guide to the relative quota positions, the Fund has used a number of revisions of the so-called Bretton Woods Formula. This formula takes account of national income, reserves, imports, exports, and the variability of exports. Among the largest percentage increases, ranging beyond 50 percent, are those for Belgium, France, Italy, and Japan, as is shown in table 4 of the Special Report. The new quota distribution will broaden the support on which the Fund can call to provide medium-term reserve credit.

The overall increase proposed for the United States is 29.8 percent, of which 25 percent is equivalent to a general increase and the remaining 4.8 percent, to a special increase. As the addition to the U.S. quota is less than the proposed overall increase of 35.5 percent, the U.S. share of total Fund quotas would be reduced from the present level of 24.3 percent to about 23.3 percent (See table 4 of Special Report).

The resolution providing for an increase in quotas has been approved by Governors casting the required 85 percent of weighted votes. On the advice of the National Advisory Council, I cast the U.S. vote January 19, 1970, in favor of the resolution, while formally recording that I was not requesting or consenting to an increase in the U.S. quota.

The proposed quota increases will come into effect on October 30, 1970, for those members which have accepted their proposed increases by that date. The Bretton Woods Agreements Act (Section 5) provides that the authorization of Congress shall be received before any person or agency shall, on behalf of the United States, request or consent to any change in the quota of the United States. The proposed legislation provides congressional authorization for the United States to consent to the $1,540 million increase in quota and authorizes an appropriation of a similar amount to remain available until expended. The authorization and appropriation should be considered in two parts:

First, the Articles of Agreement of the Fund provide that 25 percent of any quota increase must normally be paid to the Fund in gold. Twenty-five (25) percent of the proposed U.S. increase amounts to $385 million. In exchange for this payment, the United States will receive a "gold tranche" drawing right in the Fund. This is an automatic drawing right and represents a reserve asset which the United States can call upon at any time. Thus, we have an exchange of assets and no diminution of U.S. reserve assets.

The remaining portion of the authorization, $1,155 million, will permit the United States to issue to the Fund a letter of credit in that amount, on which the Fund may draw at such time as it may require the corresponding dollar funds to meet drawings of other members. When U.S. currency is drawn from the Fund, the drawing rights of the United States in the Fund are correspondingly increased.

Both the gold payment and the letter of credit represent monetary transactions; neither of them entails a budgetary expenditure.

Arrangements to minimize impact of subscriptions by other IMF members on U.S. reserves

As mentioned, the U.S. gold subscription in connection with the proposed quota increase is $385 million. While this will mean a reduction in the U.S. gold stock, the United States will receive in return reserves in the form of a gold tranche drawing right at the Fund. Most other major countries will also pay their gold subscriptions from their own gold holdings. A number of other coun-

tries, however, will wish to purchase gold from the United States or other sizable reserve holders in order to pay the gold portion of their quota increase to the Fund. If such purchases are made from the United States, both our reserves and aggregate world reserves would be reduced.

To offset or mitigate this and other consequences of gold subscription payments, the Fund has proposed special measures which are explained in detail in the Special Report and in the report of the Executive Directors. These measures contemplate sales of gold up to a maximum amount equivalent to $700 million to replenish the Fund's holdings of the currencies of members from which gold has been purchased by other members. We have discussed these arrangements with the management and Board of Executive Directors of the Fund and we believe they will prove adequate to offset over time the full amount of secondary gold and reserve losses by the United States.

Use of Fund resources by the United States

The United States currently has a large "super gold tranche" position in the Fund. As of February 28, 1970, the Fund holdings of dollars were 51 percent of the U.S. quota. This means that, as of that date, other Fund members had drawn over $7 billion from the U.S. dollar subscription, adding a similar amount to U.S. international reserves.

From early 1964 to December 1966, the United States drew on the Fund to an aggregate amount of $1,840 million and Fund holdings of dollars reached 93 percent of quota at the end of 1966. Large borrowing abroad by American banks and corporations, during the past 2 years, tended to draw down dollar holdings of foreign central banks, and thus to provide the United States with official settlements surpluses. These surpluses permitted the United States to acquire a large super gold tranche, or net creditor position in the Fund. (See attached chart.) Foreign borrowing on the scale of the past 2 years may be replaced by net repayments to foreign countries in the future; in this event, the ability to draw on the Fund could prove useful to the United States. An enlarged quota will provide additional scope for such drawings if needed.

Voting shares and SDR allocations

In addition to establishing drawing rights in the Fund, the quotas determine the relative voting power of Fund members and fix the relative shares in the allocations of Special Drawing Rights. The proposed new quota distribution involves a moderate decline in the U.S. voting position, but it would still remain above 21 percent. Since the procedure for amending the Articles of Agreement requires, *inter alia*, the approval of 80 percent of the total voting power, the United States is protected against the possibility, however, unlikely, of amendments to which we might be strongly opposed.

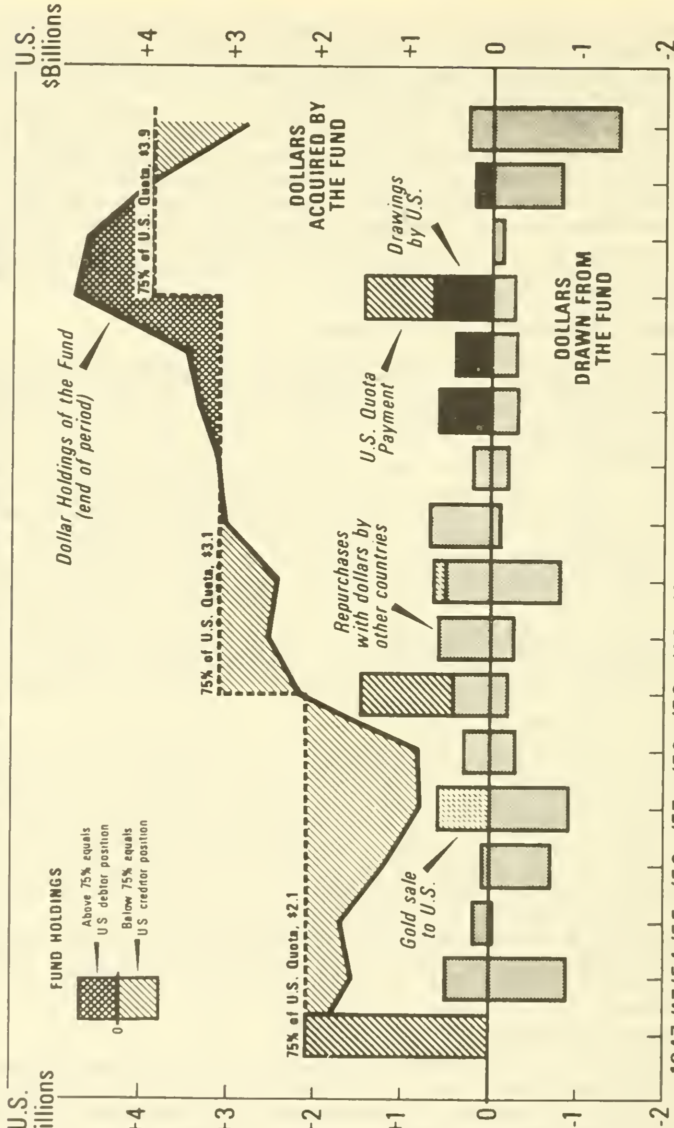
The allocation of SDRs is also based on relative quota shares. Failure to consent to an increase in the U.S. quota would reduce the U.S. share in the next allocation of SDRs on January 1, 1971, and on the following January 1 by about $130 million.

SDR limitation proposal

The legislation would also provide a new limit on the amount of Special Drawing Rights that the U.S. Governor can vote to allocate to the United States. Since a member voting for a proposal to create SDRs must accept the SDR allocated to it under that proposal, it is essential to have adequate advance authority to accept any SDR allocations that may be agreed upon. Most countries have unlimited authority from their parliaments to vote for SDR allocations. In the United States it was decided to give sufficient authority to the U.S. Governor to allow the United States to participate in SDR activations within a broad range without further congressional authority, but a reasonable upper limit was established on the amount of SDRs the U.S. Governor could vote to create.

The present limit is set at the amount of the U.S. quota which, as you know, is $5,160 million. At the time this limit was enacted in June 1968, it was correctly anticipated that this would provide adequate scope for negotiating the initial activation of SDRs. The actual activation of $3½ billion for the first year and $3 billion a year in each of the next 2 years will result in allocations of about 2.3 billion SDRs to the United States. Thus, almost half of the present authority to vote the SDR allocations to the United States has been used up. If no change

UNITED STATES POSITION IN THE INTERNATIONAL MONETARY FUND



Note. Fund holdings of dollars equal to 75% of the U.S. quota represents a balanced position—the U.S. neither is a creditor nor a debtor vis a vis the Fund.
Source. International Monetary Fund, "International Financial Statistics"

is made in existing legislation, the U.S. Governor could vote for further total allocations to all countries of about $12 billion. I would expect that this amount would be clearly inadequate in any future activation decision.

The proposed bill would retain the concept of relating the authorized limit, for allocation of SDRs to the U.S. quota in the Fund as it may be in effect from time to time. This would be $6,700 million should Congress approve the present proposed increase. However, unlike the present limit which governs cumulative allocations, the proposal would also allow the U.S. Governor to vote for an amount of SDRs up to the congressionally authorized U.S. quota in the Fund in each basic period for allocation of SDRs. This formula thus allows the U.S. Gov-

ernor flexibility in each basic period to vote for SDRs allocated to the United States up to an amount equal to the U.S. quota. Further congressional action would be required to authorize any amounts allocated to the United States in excess of the U.S. quota.

U.S. capital subscription to the IBRD

I turn now briefly to the proposed increase in the capital of the World Bank. This proposed increase in the U.S. subscription, amounting to $246.1 million, will enable the United States to do its part in carrying out a long-standing practice of member countries of the Bank to take parallel action on special increases received in the Fund. Only 10 percent, or $24.6 million, of the U.S. subscription will be paid in, and hence result in a U.S. budget outlay. The remaining 90 percent, or $221.5 million, will add to the U.S. subscription of callable capital. The latter amount will not result in budget expenditure unless—and this is most unlikely—a call should be made upon it in the future for the purpose of meeting the Bank's debt obligations.

The increase in the U.S. subscription to the Bank corresponds to that portion of the increase in the U.S. quota in the IMF which exceeds the 25 percent general increase in quotas for all members. No general increase in capital subscriptions to the IBRD is proposed.

The policy of parallel special increases in the World Bank carries forward the principle I described as applied to the IMF of establishing a better alignment between subscriptions and the relative economic and financial positions of the respective member countries. The policy also has the effect of retaining a relative alignment in voting strength of members in the two institutions.

Since this is the first occasion on which the United States will receive a special increase in its IMF quota, it is also the first occasion on which the policy of parallel action in the two institutions calls for an increase in the paid-in portion of the U.S. subscription to the Bank. The only previous increase in the initial U.S. subscription to the Bank of $3,175,000,000 was in 1959 when there was a general increase of 100 percent in the subscriptions of all members. That took the form entirely of an increase in callable capital.

The United States has strongly supported the policy of parallel action in the IMF and IBRD in the past when its financial impact has fallen entirely on other members. It is appropriate that we continue that support and that the United States now accept the special increase called for in that policy.

The policy has been beneficial to the Bank and fully consonant with U.S. international financial policy. Up to the present time, there have been approximately 96 special increases in Bank subscriptions taken by 62 countries, each of which had received a similar increase in its IMF quota. These special increases have brought almost $3.5 billion of additional capital to the Bank. The largest individual increases have come from other developed countries such as Germany, Italy, and Japan which have undergone rapid economic growth in recent years.

While the present round of special increases for the first time entails an increase in the U.S. subscription, the policy of parallel action continues to have strong advantages for the United States from a burden-sharing point of view. Special increases in capital subscriptions to the Bank are proposed for 75 member countries. In total, they amount to over $2.2 billion, of which the U.S. increase—$246 million—represents only 11 percent. Several other developed countries will increase their subscriptions by a much larger percentage than the United States.

As a result of the relatively small U.S. share of the total special increases proposed, the U.S. share in total subscriptions to the Bank, now 27.48 percent, would fall to 26.04 percent. This will also mean that the U.S. voting share in the Bank, which is now 24.65 percent, will fall by approximately 1 percent.

The World Bank recently has greatly increased its lending activities in line with expanding opportunities for productive use of capital in the developing countries. New loans exceeding $1.8 billion were extended over an 18-month period between July 1, 1968, and December 31, 1969. The Bank's need for funds to sustain a continued high level of activity is substantial. The $222 million of additional paid-in capital and the $2 billion of additional callable capital which will be provided in total by the 75 countries for which special increases are proposed will further strengthen the Bank's resources. It will facilitate Bank borrowings in world capital markets. Such markets have been and will continue to be the Bank's main source of new funds.

In summary, Mr. Chairman, I believe the proposed increase in authorized

capital and the special increase in the U.S. subscription serve the U.S. national interest. The World Bank is an outstanding institution. It has a central role in the Administration's wish to place greater emphasis on the multilateral financial institutions in our development assistance efforts. I, therefore, urge the Congress to take prompt, affirmative action on the legislation requested.

Asian Development Bank Special Funds

Finally, I turn to the proposal for a U.S. contribution to the Consolidated Special Funds of the Asian Development Bank. The President's message to the Congress requesting this action highlighted the objectives of this proposal. It has the full support of the National Advisory Council, and the Council's Special Report, which is before you, describes it in detail.

Both the Asian Development Bank and its Special Funds are well known to this committee. In 1966, with strong bipartisan support, the Congress authorized the United States to join the Bank and to subscribe to its ordinary capital. That action by the Congress was decisive in assuring that the Bank would receive major support from outside the Asian region.

The Bank is now firmly established. It has demonstrated its ability to marshal resources from Europe, Asia, and North America and these resources are being effectively committed to help meet Asia's development needs.

Thus far, most of the Bank's commitments have been from its Ordinary Capital resources and on relatively hard repayment terms. Such lending, while critically important, cannot meet the full range of Asia's development financing needs.

The Bank must also be able to provide financing on concessional terms—that is, at very low interest rates and with long maturities. Without such concessional facilities, the Bank could not adequately assist those developing country members who have very limited external debt servicing capability but still have a need to finance long term projects which are essential to their economic growth and at the same time meet the Bank's normal rigorous criteria for project selection.

Accordingly, the Bank's Articles of Agreement provide for Special Funds for lending on concessional terms, separate from and supplementary to the Bank's Ordinary Capital.

The President's proposal would respond to the Asian desire—which we fully share—to strengthen the Bank as a multilateral regional institution, capable of dealing with a broad range of current and future development problems in Asia. It would authorize a U.S. contribution of $100 million to the Bank's Special Funds over the 3-year period beginning with $25 million in fiscal year 1970, $35 million in 1971, and $40 million in 1972.

The proposal is designed to encourage other advanced nations to share fairly the burden of contributions to the Bank's Special Funds. The U.S. contribution would be a minority share of total contributions by all donors. It would not constitute the largest single contribution. In effect, the U.S. contribution would be either exceeded or matched dollar-for-dollar by Japan, the Bank's other largest subscriber, which has already made a substantial pledge to the special resources. This is a logical and reasonable sharing arrangement which reflects the important but minority role of the United States in the Bank. In this and other provisions of the proposal, there would be assurance of the advantages of true multilateral support. It should be noted that the proposal does not have any early budgetary impact in the United States as we make payment in the form of letters of credit. This procedure permits the Bank to make loan commitments against these additional resources, but the natural time lag in project construction delays the budgetary expenditure. At the same time, the proposal reflects our assessment of the Bank's present needs and its ability effectively to utilize Special Fund resources. It represents a U.S. contribution appropriate to the probable size and timing of contributions by other donors, and phased over time.

The legislation that President Nixon has submitted outlines the terms and conditions of our participation. These are analyzed and described further in the Special Report of the National Advisory Council before you. In formulating this proposal, we have been able to take account of the Bank's 3 years of experience. We have also benefited from the views of the members of this committee and from the Senate Foreign Relations Committee expressed during their consideration of an earlier proposal.

I have just returned from the Annual Meeting of Governors of the Asian Development Bank held in Seoul, Korea. Together with some members of this

committee, I have again had the opportunity to hear firsthand of the hopes and plans from the Bank's officers and my fellow Governors for the Special Funds. At that meeting Australia and the United Kingdom made specific offers to contribute to the Special Funds, joining Japan, Canada, Denmark, and the Netherlands who are already contributing. In addition there were indications of possible contributions from other donors. My belief has been reconfirmed that the United States should now act promptly to provide a contribution and help to assure that the Special Fund facility can be placed on a firm and multilateral long term basis.

H.R. 16891, unlike H.R. 16764, includes three unrelated provisions concerning the Exchange Stabilization Fund, monetary gold purchases, and the economic and social policy of international financial institutions.

As best I understand the purposes of these provisions, they are already being effectively achieved. Therefore, I do not believe a positive purpose would be served by their enactment. At the same time, these proposals would present difficult and serious practical problems that would jeopardize the effectiveness of our efforts. I therefore strongly urge that these provisions not be enacted.

Taken as a whole, these provisions would significantly change the longstanding approach by the Congress in the area of international financial affairs by reducing the flexibility and confidentiality with which the Secretary of the Treasury must act in pursuit of broad policy objectives.

In the case of Exchange Stabilization Fund, the Congress has consistently recognized the confidential, sensitive, and frequently urgent nature of the transactions of the Fund, by providing the Secretary with full authority, subject to a full annual audit report which the Congress has received since 1939. Concerning gold purchases, the provision would impose unworkable and unnecessary rigid limitations on official dealings in monetary gold under specified conditions. The expression of the third provision in legislation could appear to other nations as an attempt by the United States by unilateral action to determine policy of the multilateral lending institutions, rather than by trying to negotiate the acceptance of the principle by all members of the institutions concerned.

I therefore recommend that the legislation be approved without these three provisions.

Exhibit 41.—Remarks by Secretary Kennedy, April 23, 1970, as Governor for the United States, at the 11th annual meeting of the Inter-American Development Bank, Punta del Este, Uruguay

The Inter-American Community is again grateful to the government and people of Uruguay for providing this beautiful and historic city as the site of our deliberations. Here, where Presidents of the Americas have conferred and contemporary Inter-American solidarity has been forged we have an opportunity this week to give concrete reality to our mature partnership, in the framework of this decade's program of action for progress. We are also fortunate to have here with us, for the first time, the Governor for Jamaica, whom we welcome as our newest member.

In this year when we celebrate the first decade of the Bank under the able leadership of President Herrera and the Board of Executive Directors, I have organized my observations around three points: (1) the significance to the Bank of the last decade, (2) the proposed increase in Bank resources, and (3) perspectives for the future.

I. The Bank's first decade

The world, our hemisphere, and this Bank have undergone extraordinary changes since the first Board of Governors met in San Salvador in early 1960. Ten years ago, foreign assistance had only recently changed focus from the reconstruction of relatively advanced countries to the development of underdeveloped ones. Advanced countries other than the United States were just beginning to make contributions to development assistance. The terms of such assistance were often poorly adapted to the prospective balance-of-payments situations of borrowing countries. In the multilateral assistance field, there was the World Bank, but its concessional lending instrument, the International Development Association, was untested. Multilateral financial cooperation for regional development was, until the establishment of the Inter-American Bank, nonexistent.

Today's contrast with 1960 is striking. Development assistance, its form and its degree of multilateralism have changed markedly. This Bank has emerged as a major element in the Inter-American economic structure. It has demonstrated the validity of the idea of multilateral development cooperation at the regional level. And it can justly regard itself as the trail blazer for the regional institutions, such as the Asian Development Bank.

A second contrast can be found in the ability of a regional institution such as the Bank to reach out and mobilize funds in the world capital markets, using for this purpose the guarantee provided by its members. Its bonds are now widely held and its financial standing highly respected. Through its patient efforts in world financial centers, the Bank itself has been an important instrument in changing the forms and practices of development finance.

A third difference relates to the kinds of activities in which we now think it appropriate for development institutions to engage. This Bank has led the way in directing attention of development agencies to areas that had been relatively neglected or even considered inappropriate for the attention of international financial institutions. These include education, health and the difficult problems of rural poverty. Lending in this frontier areas of development assistance has gained respectability only within the last 10 years. This Bank—supported in the early years, I am proud to say, by the Social Progress Trust Fund provided by the United States—has played a catalytic role in the emergence of new attitudes.

Ten years of experience has made us all more realistic in our approach to development. We have learned that there is no single formula for development applicable to all countries. Each nation is different and each requires a different mix of resources. We recognize more clearly now the importance of a sound framework of fiscal, monetary, exchange, and investment policies within which development can take place. And we perceive now more clearly than ever that external assistance can only be efficiently utilized where there is an intense domestic will to develop. This must be accompanied by a readiness to commit domestic resources to the development task in the fullest measure.

Thus, the opening of this decade presents new opportunities to the Bank. It can become more selective, both in terms of activities it finances and the quality of economic performance it expects of borrowers as a condition of its lending. With such selectivity, and a continuation of its distinctive Latin and pioneering spirit, the Bank can make the decade of the Seventies a fitting and fruitful successor to the Sixties.

II. Increase in resources

The main task of this meeting is to make adequate provision for obtaining the capital resources needed by the Bank in the first half of its second decade of lending. I have been authorized by President Nixon to announce that the United States is prepared to join Latin American efforts in accomplishing this task. In the context of a proposal with full Latin American support, we would be prepared to approach the U.S. Congress promptly for increases in both our Ordinary Capital subscription and our contribution to the Fund for Special Operations. Specifically, the United States would be prepared to seek legislative authority for:

—An increase in its paid-in Ordinary Capital subscription of $150 million combined with a $674 million increase in its callable Ordinary Capital subscription, both as our established share of a $2 billion overall increase in the Bank's Ordinary Capital resources.

—A substantial contribution to the Fund for Special Operations as part of an overall increase in Fund resources which would reflect the progress Latin economies have made these past 10 years as well as their commitment to the role of multilateral institutions in development.

Resources should be sought in a magnitude which will cover requirements foreseen for the Bank in a 3 year to 5 year period. They should permit the Bank to provide half again as much financing per year as the approximately $600 million which the Bank committed to loans in 1969. Moreover, they should ensure funding for new types and directions of activities that are now under preliminary consideration in the Bank.

But provision for the future requires more than money alone. It requires adaptation to reflect new realities in the seventies. It requires new relationships beyond the hemisphere to reflect Latin America's growing integration into the

world economy and the world's growing commitment to multilateral development financing.

I have three major areas in mind where beneficial changes could be made. First, the present practice of extending Fund for Special Operations loans on a local currency repayable basis involves the potential problem of excess accumulations of such currencies in the Bank's accounts. A shift to a policy of repayment in the currencies lent, combined with an appropriate easing of repayment terms as necessary, would avoid the problem. This would permit the Fund ultimately to become a revolving source of hard currency financing. I understand that a move in this direction already had widespread support.

Second, our concern for achieving more balanced growth in the hemisphere suggests that the financial needs of the least developed members should have first claim on the Bank's concessional loan resources. The opposite side of the same coin is that the region's more advanced countries should place relatively greater reliance on Ordinary Capital financing. This would be considered a cooperative contribution on the part of the stronger countries toward self-help in the hemispheric sense. It would also complement the willingness of the larger members to allow a greater usefulness of their local currency subscriptions to the Fund for Special Operations. In this latter connection an expansion of the group of countries allowing this broader use would be widely applauded.

Finally, I believe that multiple benefits would accrue not only to the Bank but to Latin American development in general if other developed countries—regional and nonregional—could be brought within the Bank's membership. Additional Ordinary Capital resources would become available and access to capital markets would be easier. Membership would also elicit additional concessional loan resources more effectively. In the light of experience elsewhere I am confident that these benefits can be obtained without changing the essentially regional character of the Bank. Indeed, it is my confidence in the permanent Latin character of our Bank which permits this judgment. Serious efforts to move in this desirable direction have important and broadening support and steps are needed now to move toward the removal of existing barriers. This is the time to begin. I strongly urge that the Board of Governors take the necessary steps which will lead to opening our doors to Canada and others.

The provision of the resources called for and the adoption of the policy changes recommended entails real burdens and real sacrifices for all of us. Nevertheless—and with full consideration of the intense competing demands for budgetary resources—I offer full assurance of President Nixon's readiness to support these financial and policy measures. I believe such support constitutes solid evidence of our commitment to Latin America and to hemispheric development.

III. Perspectives for the future

In reviewing the last decade I came across the following statement made by one of my predecessors, Robert B. Anderson, the first Bank Governor for the United States, at the inaugural meeting of this Board.

"The creation of the Bank does not in itself solve any of the problems with which we are all so concerned; yet it does provide us with an effective framework in which men of good will can join with the confidence that through the exercise of thought, diligence, and mutual respect they can achieve great benefit for their peoples."

This judgment is still true today and it remains the framework within which we will meet the challenges in the decade ahead. Four challenges to the Bank should be noted.

First, multilateral institutions will undoubtedly assume a great role in providing financial and technical assistance. Within this hemisphere, the Bank is in an excellent position to continue leadership in financing development. But to do so fully will require closer collaboration and coordination with the other bilateral and multilateral financing agencies, and with the Inter-American Committee for The Alliance for Progress. This will assure that scarce external funds are being most effectively utilized and that the Bank has access to the best hemispheric judgments on whether or not a borrowing country itself is pursuing proper development policies and programs.

Second, the Bank's internal organization, management, and procedures will have to continue to adapt to changing conditions.

Third, the next decade challenges the Bank to participate directly and indi-

rectly in encouraging private initiative and free market forces. While it is clear that each nation must fashion its own policies about the role of public and private sector activities, and of domestic and foreign private investment in its society, the posture of the Bank will be guided, I hope, by practical considerations of efficient economic development. In this regard, I look forward with interest to the deliberations of the Board on expanding the Bank's role in assisting private productive enterprise. In particular I hope that it will be possible to employ in this effort the existing extensive framework of banks and other financial intermediaries.

Fourth, the next decade should see more countries advancing toward self-sustained institutional, financial, and social growth. This will permit a greater number of the stronger member countries to assist the less developed through both technical and economic assistance. And it will contribute to the strengthening of the multilateral character of the Bank.

These and many other challenges of the seventies lie ahead of us. I am confident that the leadership of this great institution, supported by the Bank's capable staff, will effectively meet these challenges with inventiveness, wisdom, and determination.

The actions we are taking this week to increase the resources of the Inter-American Development Bank make clear our strong support of this Inter-American institution. President Nixon, in February, outlined in realistic terms the basis on which we must face this decade of the seventies.

"There are no short cuts to economic and social progress. This is a reality, but also a source of hope, for collaborative effort can achieve much. And it is increasingly understood among developed and developing nations that economic development is an international responsibility."

The Inter-American Development Bank is a fine example of a multilateral institution through which this responsibility is effected. The United States is proud to be a member.

Exhibit 42.—Remarks by Secretary Kennedy, May 20, 1970, at the American Bankers Association Monetary Conference, Hot Springs, Virginia

The closing luncheon of the ABA International Monetary Conference is a familiar occasion for me. I have taken part many times, but always before from the other side of the lectern! I am honored to make the switch and to take advantage of your custom of inviting the U.S. Secretary of the Treasury to have the last scheduled word.

I want to spend my time today primarily on the external aspects of our economic relationships. But our internal problems and performance cannot be separated from our balance of payments or, indeed, from the health of the international monetary system as a whole.

A year ago, at a similar luncheon in Copenhagen, Bill Martin concluded his delightful reminiscences of his long years of public service with some pointed remarks about the future. As usual, he pulled no punches in pointing out the necessity to deal with the inflation and overheating that had characterized the American economy for four long years. And he warned that this would inevitably be a painful process—the needed adjustment could not be achieved without financial strains or without challenging some of the presumptions of investors, business, and labor.

Today, we are in the midst of that adjustment process. The pains are evident to all.

Unemployment has increased. Profits have declined. Financial markets reflect a good deal of uncertainty. Businesses which expanded imprudently, failed to control costs, or maintained inadequate financial reserves are now paying the price.

There is, of course, still widespread concern about inflation. But inflationary expectations are now giving way to a new concern by some that the business adjustment will be overdone or unduly prolonged.

This is not a comfortable situation for anyone. But the essential point seems clear enough. Our policies have already worked to squeeze out excess demand.

The present sluggishness and uncertainty is an inevitable part of a period of transition to more orderly growth. Indeed, it may be necessary and desirable in terms of refocusing attention of businessmen and labor on the fundamental need

for efficiency and productivity, and wage and price restraint. We fully recognize there are risks on both sides of the equation as we move ahead. But we mean to stay the course with a blend of fiscal and monetary policies consistent with orderly expansion and the restoration of reasonable price stability.

This also happens to be the best possible medicine for our balance of payments, and it is basic to our approach to international monetary affairs as well. I recognize that, as urgent economic and social problems crowd in upon us for solution, there are some in this country who question the need to attach high priority to international economic problems.

After all, they point out, our exports amount to only about 4 percent of our gross national product. They cite the fact that the dollar was strong in the exchange markets in the face of both a deteriorating trade balance in recent years and a record deficit in the conventional measure of our balance of payments in 1969. They add the hope that recent and prospective improvements in international monetary arrangements will provide new dimensions of flexibility that will somehow require less attention to the health of the dollar.

At best, these are half truths. They could lead us dangerously astray as a basis for realistic national policy.

We cannot step aside from the fact that the United States is the world's largest international trader, accounting for some 15 percent of world exports. Nor can we ignore the fact that a strong current account position is the necessary counterpart of our role as the world's principal supplier of aid and private investment. Further, we must not forget that international money and capital markets are, to a large degree, dollar markets or that our currency is the leading reserve and transactions currency. Even in more strictly domestic terms, those who would minimize the importance of our world competitive position simply fail to realize the costs and strains—both in consumer satisfaction and in industrial dislocations—if we are unable to support liberal import policies with a strong export position.

Nor should we be deluded by the strength of the dollar in 1969. That was primarily a result of the severe tightness of credit in the United States. There was a massive influx of short term interest-sensitive money—more than enough to balance the wide deficit on other accounts.

The flaw in that picture is implicit in the first quarter balance-of-payments figures published last week. They showed that dollars flowed in large volume into foreign official hands—a forcible reminder of the fleeting nature of a surplus based on short term capital flows.

A presumption that improvements in international monetary arrangements provide an escape from balance of payments and international financial disciplines is equally unjustified. Certainly, significant improvements have been made. I am hopeful that we can build further on this progress. All nations need to have the capacity to deal in an orderly way with wide swings in volatile elements in their international accounts. All will benefit if we can find ways to dampen incentives to speculation. And make exchange rate adjustments more smoothly and in more timely fashion when they become necessary.

But no feasible monetary arrangements can eliminate the need for each nation to make the internal adjustments required to contribute to a basic equilibrium with the rest of the world. This applies with special force to the United States, precisely because the critical international functions of the dollar require maintenance of its stability.

In sum, I have a short answer to those inclined to ask of late: "Whatever became of the balance-of-payments problem?" It is definitely still with us. It matters. We would downgrade it at our own peril.

Confusion on this issue has been fed by the large discrepancy between the various measures of our payments position over the past year. The deficiencies of the conventional "liquidity" calculations which receive so much prominence are now well known. The newer official settlements balance, useful as it is in summarizing the net flows of reserve assets and official liabilities, has shortcomings as well. One in particular is that it can be heavily influenced by short term capital flows.

I share the widespread sense of frustration over these deficiencies. I have, therefore, requested a thorough internal review of this matter to see if we cannot regularly provide more adequate summary measures of our basic position. But we do not need new data to make an intelligent assessment of the nature of the problem.

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I am not overly disturbed by the volatile swings in short term capital that contributed to the strength of the dollar last year and to the large deficit in the first quarter this year. The technical financing problems should certainly be manageable in the framework of existing monetary arrangements and cooperation.

More important, it seems to me, is the fact that our underlying payments position—short term capital flows apart—still seems to be in sizable deficit. It is probably correct to attribute some portion of that persistent deficit to the fact that the United States is an international banking center. We, in a sense, serve as a financial intermediary, acquiring short term liabilities to foreigners while investing at longer term abroad.

There are, however, limits to that process. In most earlier years—in fact, through the mid-1960's—the bulk of our capital outflow and aid program was covered by a substantial surplus on current goods and services. In the past few years capital flows have been better balanced. But, we have permitted our current surplus to drop sharply.

The increasingly heavy interest burden on our large short term indebtedness has been part of the problem. So have our continuing heavy military burdens in many places overseas. As we look ahead, it is reasonable to anticipate some relief from those burdens, as well as considerable growth in profits and interest from abroad. Nevertheless, we must also recognize that a large part of the problem lies in our trade accounts.

Our traditionally large trade surplus has dropped off in disturbing fashion—from an average of $5.4 billion in the first half of the 1960's to an average of only $650 million in 1968 and 1969. The first quarter results of this year, when our trade balance rose to slightly over $500 million, suggest some recovery may be underway. But that balance is still far from what we need to support a strong payments position.

There can be no question that inflationary pressures at home must bear a major share of the responsibility for this deterioration. As we master that problem, our trade balance should certainly reach a higher level.

But it would be wrong to underestimate the challenge we face in achieving the needed degree of improvement. The technological gap has been partly closed. The growth of the common market and the enormous industrial progress of Japan have narrowed or eliminated the advantages we once enjoyed in large-scale manufacturing for a mass market. The deep desire of many countries to achieve and maintain agricultural self-sufficiency—or even to generate surpluses—robs us of some of the benefits of a natural comparative advantage in agricultural production.

I believe all of this requires some serious rethinking at home and abroad. American trade policy has long been oriented toward open markets, toward reducing barriers and promoting competition, toward the mutual interest in freer trade. It still is. The growth in world trade and international prosperity is testimony enough to the effectiveness of this approach. It would be a mistake of the first magnitude to turn back.

At the same time, I must emphasize that, under the pressure of rising imports, our current policy of freer trade is being challenged more strongly than at any time in memory by business and labor groups directly affected by a weakened competitive position. These groups are gaining considerable political support.

The challenge cannot be met by denying that a problem exists. Rather, we are being compelled to reexamine our policies all along the line to find solutions. We seek to find solutions not by shrinking back into protectionism but by improving our position in a context of broadening and growing markets.

Within the Government, we have been reviewing our approach in several key areas to make sure that our own exporters are not placed at a disadvantage with respect to foreign producers. For instance, we fully recognize that the types of products in which we excel typically require medium term financing. But, for some years, a combination of tight markets, limited budgetary funds for official credit, and a desire to restrain capital exports seems to have inhibited our ability to provide adequate support in this important area. We have no desire now to take part in any competitive easing of terms for commercial advantage. We remain eager to work with other countries to define appropriate limits for official credit assistance. Within that framework, however, we are moving to assure industry the degree of support to which it is

entitled. I believe some fruits of that effort are already emerging in the revitalization of the Export-Import Bank.

Last week, after prolonged study and consideration, I was able to present to Congress a proposal in another area—taxation—that should help remove an obstacle to an aggressive exporting effort. The simple fact is that, as presently structured, our income tax system tends to treat income earned on exports more severely than income earned on foreign investments—and more severely than most other industrialized countries. To remedy this defect and remove a drag on exports, the Administration would permit an exporter to establish a Domestic International Sales Corporation (or "DISC").

Such a corporation would, within clearly defined rules, permit tax deferral of export income, just as tax deferral is now available for other foreign source income. In the light of significant budgetary costs, we have been compelled to request that the effective date be postponed to the middle of next year. But I believe this action will provide a better balance—insofar as tax considerations are important—in investment decisions between home and foreign manufacture. It should help focus attention of more American businesses on export markets.

Industry has responsibilities as well. The competitive inroads of foreign products have, in many cases, revealed weaknesses in marketing strategies, quality, and design by American industry that can and should be remedied. I am encouraged, for instance, by the development and marketing of small cars by American manufacturers in response to competitive pressures from abroad.

Finally, I believe foreign countries themselves must recognize and be willing to accept the implications of their own strength. It is surely inconsistent to urge a stronger U.S. payments position and, at the same time, maintain and adopt policies that tend to thwart achievement of that very objective. Yet I believe any fair-minded observer must be disquieted on that score. Most industrialized countries seem to be intent on preserving, or even enlarging, their own trade surpluses. To reconcile these goals, the developing nations would need to run increasingly large deficits. To finance these deficits, sharply larger flows of aid and investment would be required. I question whether the industrialized nations have yet fully faced up to this implication of their trade surpluses.

I am disquieted, too, by the apparent reluctance of important foreign countries now in strong positions to take up the leadership so long borne by the United States in reducing barriers to trade. In some instances, such as Japan, a dismantling of barriers—barriers perhaps once justifiable for a country with limited financial resources and recurrent payments difficulties—seems overdue. In other instances, the push toward a broader or closer economic union—however desirable on other grounds—inevitably has had discriminatory side effects on the trade of third countries that need to be considered.

Nontariff barriers abound in the present world. We are not free of them in the United States. But is it not the surplus countries that have a special responsibility to take positive action toward their reduction and elimination? A leading case in point is the trade consequences inherent in the international rules for border taxes and subsidies integrated with domestic turnover or value-added taxes.

Countries without these domestic taxes, such as the United States, are placed at a relative disadvantage—a disadvantage that becomes more pronounced as value-added tax systems become more widely adopted and levels of rates rise. Rules that may have been acceptable in the quite different circumstances of the immediate post-war period need to be reexamined in the light of today's needs.

I do not underestimate the difficulties of progress in all these areas. But neither do I underestimate the challenge, whether in terms of our balance of payments or the threat to a liberal trading order. We do not want to follow the road of restrictionism. We want to resist the pressures for mandatory controls on imports and other inward-looking solutions. We have too much at stake, for ourselves and the rest of the world, to retreat now. But realism requires that we do not stand still. We must do the other things necessary to assure a stronger trading position if the pressures for restrictionism are not to overpower us all.

The primary role for American leadership in all of this seems to me perfectly plain. The world is caught up in a serious inflation—an inflation for which we share a part of the responsibility. I believe that—beneath the present turbu-

lence—we are now well on our way toward dealing with that problem. This will provide the base we need for a stronger balance of payments and to maintain the stability of our international financial arrangements.

On that base, we can preserve and enhance the gains of the past: in trade, in finance, and in development. Success demands that we work together, in partnership and in full recognition of the responsibilities that go with strength. We cannot afford to fail.

Exhibit 43.—Statement by Secretary Kennedy, June 30, 1970, before the House Banking and Currency Committee on proposed replenishment of the Inter-American Development Bank

I appear to support the Administration's request for authority to join with 22 Latin American nations in a further replenishment of the Inter-American Development Bank (IDB).

The United States has a deep and traditional commitment to hemispheric cooperation. The Inter-American Bank, born as a financial expression of this cooperation a decade ago, has become the key multilateral instrument of hemispheric financing for development. It requires expanded resources to meet the challenges of Latin American development as we advance further into this decade.

I have found in my participation as U.S. Governor in the formulation of this proposal at the recent IDB meeting in Punta del Este, Uruguay, that it is a true expression of partnership. This proposal has as an integral feature commitments by the Latin Americans to provide a significant input of their own resources along with ours, and to implement important new policy undertakings relating to the Bank's operations. These commitments testify to Latin America's determination to assume an increased responsibility for development within the area as a whole as well as within individual Latin American countries. The support the United States is prepared to offer will be an important factor in determining whether or not this constructive spirit in Latin America can achieve its goals in the time ahead.

In these opening remarks I first will touch on the specific legislative request which is described in detail in the report of the National Advisory Council before you. Second, I will review some more general aspects of this multilateral approach to development financing.

Authorization request

The request before you involves the Bank's Ordinary Capital window, which lends on conventional terms that reflect the cost of capital, and its Fund for Special Operations, which lends on concessional repayment terms.

—On Ordinary Capital, we are seeking authority to subscribe to $150 million of paid-in capital stock, in three annual $50 million payments beginning in fiscal 1971. Our Latin American partners will more than match this with subscriptions totaling $236 million. As the companion to this payment, we seek guarantee authority in the form of a subscription to $673.5 million of callable capital stock which is not expected to result in cash outlays. Half of this callable subscription would be made in the fiscal year 1971 and half in fiscal 1973. The Latin American members would subscribe to $879 million of callable capital.

—On the Fund for Special Operations (FSO), we are seeking authority to contribute $1 billion to the Fund's resources over a 3-year period, at the rate of $100 million in fiscal 1971 and $450 million in each of the following 2 years. The U.S. contribution of $1 billion compares with the $900 million contribution the United States made in the last replenishment, while the Latin Americans will contribute the equivalent of $500 million for this replenishment or $200 million more than their contributions last time.

Action to replenish the Bank's resources at this time is essential to permit the Bank to continue its existing loan programs and meet the important target, established by the Bank's Board of Governors, of a 50-percent increase in lending volume before the middle of this decade. By the end of calendar 1970, the Bank's Ordinary Capital resources in hard currencies will be insufficient to carry on another full year of operations even at current levels—about $200 million a year recently. With the paid-in and callable resources now being sought, the Bank would be able to reach or somewhat exceed a lending level of $300 million per year, and maintain it until calendar 1975.

Although its resource situation is currently somewhat less stringent, the FSO also will enter 1971 with less than will be required for the amount of loan commitments that will be needed in that year. Lending in all currencies from the Fund for Special Operations reached a level of about $400 million last year. The new resources are intended to permit a progressive increase in FSO lending reaching the equivalent of about $600 million a year and to cover funding requirements through 1973.

In its 10-year operating history, the IDB has lent $3.5 billion in support of Latin American development. These sums were part of projects involving a total investment of almost three times this amount. Roughly a quarter of its loans financed high-priority agricultural development projects. The Bank lent over $500 million to industrial and mining projects, and a similar amount for transportation and communications projects. It also provided substantial sums in the electric power, water supply, housing, and education sectors. While carrying on this impressive and rising volume of lending, the Bank has maintained itself on a financially sound basis with a $20 million net income in 1969 and total reserves at the end of the year of $85 million. It has attracted resources from nonmember countries. The Bank's bonds are fully accepted in the world's capital markets; a funded debt of $767 million was outstanding at the close of its fiscal year on December 31, 1969; about one-half or $375 million is held outside the United States.

Budget impact

The impact of this request on the U.S. budget over the next years is acceptable and substantially less than the total authorization figure of this legislation. Our $674 million of callable capital is not expected to result in any expenditures now or in the future. Appropriation of the first $50 million of the three equal installments of paid-in capital would be sought in the fiscal year 1971, and payment would be expressed in the form of a letter of credit. Only a part would result in cash or budget expenditures in fiscal 1972. Similarly, appropriations would be sought in fiscal year 1971 for the first $100 million of the U.S. contribution to the FSO, but only a fraction of this would result in cash budget expenditures in fiscal 1972.

Thus, there would be no expenditure impact resulting from this request in fiscal year 1971 and only a modest amount in fiscal 1972. Expenditures would rise by fiscal 1973 but probably would not exceed $125 million. The proposal overall calls for $1,150 million to be paid to the Bank (as letters of credit) by the end of fiscal 1973 and this entire amount of course would eventually be expended and reflected in budgetary cash outlays in the years in which they are disbursed, but this process would be spread over a number of years well beyond fiscal 1973.

On completion of the proposed increases, the total U.S. investment in the IDB's Ordinary Capital from its inception will amount to $1,997 million, consisting of $300 million of paid-in capital and $1,697 million of callable capital. The U.S. share of total subscriptions would remain practically unchanged at 42.47 percent. Cumulative U.S. contributions to the FSO would rise to $2.8 billion, or 73 percent of the total.

New policy directions

Besides the quantitative aspects of the proposed IDB replenishment I have just outlined, there are some important qualitative aspects arising from the Punta del Este meeting that deserve emphasis.

First, the Latin American members of the Bank have agreed to a further increase in their relative share of the contributions to the Bank's soft loan resources.

In 1964, the Latins provided $20 of their currencies for each $100 provided by the United States. In 1967, they provided $33 for each $100 from the United States. Now, the Latins will put up the equivalent of $50 for every $100 provided by us. This steady improvement in the ratio of contributions is direct evidence of the increased degree of multilateralism and self-help that we have been able to elicit through the IDB mechanism.

Second, two more countries, Chile and Colombia, have agreed, along with Argentina, Brazil, Mexico, and Venezuela, to make up to half their contributions to the Fund for Special Operations available for lending to other member countries.

This means that the countries with the six largest Latin subscriptions in the

Bank have now agreed to such arrangements, thereby increasing substantially the usefulness of Latin American local currency subscriptions.

Third, Latin countries have endorsed a policy statement giving the least developed countries of the region a first priority claim on FSO loan resources.

Correspondingly, this help will steer the relatively advanced countries more heavily toward the Bank's conventional loan window. This is further evidence of a recognition of intraregional cooperation.

Fourth, it was agreed that loans made from the new resources of the Fund for Special Operations would be repayable in the currencies lent, instead of local currencies.

Dollars loaned by the Bank would be repayable to it in dollars. This over the longer run will better assure the revolving fund nature of the FSO. Other loan terms would be adjusted in order to maintain the necessary concessional character of the FSO.

Fifth, the Bank's Governors endorsed a strengthened statement regarding the importance of sound national economic policies and satisfactory over-all economic performance as factors in determining the character and amount of Bank assistance.

In this connection, the same policy statement pledged Bank support of the efforts of the Inter-American Committee on the Alliance for Progress (CIAP) and other international financial entities toward coordinated lending efforts in particular countries.

Finally, provision has been made to consider the matter of admission of developed countries not presently members of the Bank.

This is aimed at assuring an increased flow of resources on improved conditions to the Bank in a manner consistent with the maintenance of its regional character. Currently, membership in the Organization of American States is a prerequisite for Bank membership. This has posed an obstacle to serious consideration of membership by other developed countries. At Punta del Este, the Latin Americans agreed to the creation of a new and special committee of the Governors that would examine the membership question on an intergovernmental level and report with recommendations by the end of the year.

While maintaining the inter-American character of the Bank, we are interested in determining whether the quality and flow of resources to the Bank from other developed countries can be increased and regularized.

Multilateral approach

Let me turn now to some broader perspectives of the Inter-American Bank as a multilateral institution and on our relationships with such institutions.

I think it is timely to recall that U.S. financial cooperation for development with other nations through multilateral institutions has always had strong bipartisan support in the Congress. We have progressed in this development endeavor because Congress over the years has made judgments that there were concrete advantages for the United States in the multilateral approach to development financing.

The executive and the legislative branches have agreed many times on the advantages in many circumstances of the multilateral approach. Without in any way prejudging or forecasting the outcome of the current review of our total foreign assistance effort, I can safely say that the benefits inherent in doing our development business multilaterally argue for greater, not lesser, reliance on multilateral institutions. Let me just mention some of the advantages of this approach: the sharing of the financial burdens of development financing, so that we do not carry all of the cost; the greater likelihood that lending judgments will be made on strictly economic grounds; and the desirable maintenance of economic discipline on borrowing countries through a collective judgment, not one determined by the United States alone.

We must recognize, however, that if we wish to continue to enjoy the benefits of a cooperative partnership in the international field, we cannot expect to enjoy the same independence of action we have when we proceed bilaterally. Multilateral development institutions serve well our broad foreign policy goals, but they should not and cannot be asked to serve particular U.S. foreign policy interests. To try would be to jeopardize their multilateral status.

Just as we must not seek to employ a multilateral bank as an instrument serving particular foreign policy interests, so is it not consistent with a workable multilateral approach to impose unilaterally narrow limitations on the ways

that regular contributions provided by the United States may be used or may not be used. Such efforts would affect not only our funds but contributions other countries have made to the institution. Moreover, these efforts would prompt similar efforts from other participants. The result would be not a multilateral agency with a manageable and coherent program, but a collection of national trust funds to be used under highly special and often conflicting criteria.

In making this point I am seeking to convey the distinction between unilaterally imposed limitations by one donor and conditions or new policies that are negotiated and accepted multilaterally by member countries. I have just outlined new policy directions which we have agreed to with our Latin partners in Punta del Este. They are an integral part of the replenishment we are now asking Congress to authorize. This is an example of the method and the manner in which we work together to shape the policies of the institution in which 23 countries share membership. This achievement is current testimony of the effectiveness and the value of this approach.

In considering the role the United States plays as a major member country in the Inter-American Development Bank, we must remember that we have the benefit of a highly experienced Executive Director and Alternate, long acquainted with both the problems of development finance and the concerns of the Treasury. He is a full-time Executive Director, as is his Alternate, with their offices in the Bank, representing the United States in the Bank's deliberations. Through Mr. Costanzo the United States receives full information upon not only lending operations but also policy issues as they evolve. This information is used by the Treasury staff and the other agencies of the NAC—including the Department of State, the Federal Reserve, the Export-Import Bank, and the Department of Commerce—in advising me how the United States should instruct the U.S. Executive Director to vote on a particular issue. Therefore, it is with experience, exposure, and full information that the United States pursues its responsibilities with this Bank.

I mention these considerations which touch upon a proper and workable relationship with the multilateral financial bodies because over the years Treasury has been acutely conscious of these issues. Now, as we place more reliance on them, it is quite natural that we be expected to demonstrate that our national interests are being well served through the productive employment of our contributions. What assurances now exist and where should improvements be sought within a framework that recognizes the multilateral character of institutions such as the IDB?

A description of the established controls and procedures in the Inter-American Bank would be helpful. The Bank follows internationally accepted standards and criteria of operation that are compatible with our own methods. The main elements are:

—*Internal audit.*—This is a full-time audit staff of the Bank. It reports to the Bank's President. Operating with broad audit authority, it functions in a way similar to comparable staffs in major private corporations and lending institutions. Their responsibilities range from assuring compliance with procedures and cash controls to developing new internal controls and procedures to meet the expanding activities of the Bank.

—*External comprehensive financial audit.*—From its founding the Bank has asked an important and much experienced accounting firm of international reputation to conduct a comprehensive financial audit on behalf of the Governors. This is exactly the same type of audit this firm makes of many of our own large financial institutions.

—*An independent review and evaluation audit group.*—This is a multilateral group composed of three persons of competence and high standing, chosen from outside of governments, to provide an independent overview into the effectiveness of programs and operations of the Bank. It reports to the Executive Directors and Governors. This group is relatively new and, due to illness, somewhat slow starting. However, we expect much of it in the future. It was created by multilateral agreement, under the stimulus of the Selden Amendment to the IDB Act.

But it is not enough to describe what we rely upon now. Treasury must continually ask where improvements can be made.

First, we can strengthen the mechanisms for executive-legislative contact in the overview of our participation in the IDB—as well as the other multilateral institutions. I share the view expressed by committee members on other occasions

that we should ensure that these mechanisms function on a continuing basis. We are happy to do this.

Second, we can encourage the development into full effectiveness of the IDB's relatively new arrangements for the independent oversight group for measuring the effectiveness of its programs which I just mentioned. Such audits are an important management tool and should be used to assure effective and efficient operations. While there have been delays, a start has been made by this "Group of Controllers of the Review and Evaluation System." It is important that the work of this group move forward effectively and efficiently.

Third, we look forward to benefits and insights that may be obtained from the review the General Accounting Office now has underway regarding the U.S. management of its participation in the multilateral institutions. Pursuit of this examination has been clarified through testimony by GAO officials before the Congress in which it is recognized that direct GAO audit of the multilateral institutions would be inconsistent with the basic legal framework under which we participate in those institutions. While speaking of U.N. international organizations and noting probable opportunities for improvement in the management of U.S. participation in that family of U.N. organizations, the Comptroller General stated,

"We recognize that U.S. efforts toward improved management of activities of international organizations, of which the United States is a member, must be undertaken and assessed within the framework of the international character of the organization and that membership presumes a willingness on the part of member nations to rely on the management of the organization. We also recognize that constraints on actions that can be taken unilaterally are an inherent part of such membership no matter how constructive the proposed actions might be."

This common view of the U.S. relationship with international organizations—which applies at least as fully to the multilateral lending institutions—permits us to respect the vital distinction between examining the U.S. management of its participation in such an institution and examining that institution itself. The GAO staff is presently in Treasury making its examination on this basis.

Mainly because this vital distinction is overlooked in the proposed section 504 of this year's Foreign Aid Appropriation Bill, which would require a GAO audit of the IDA and Asian Bank, I feel it necessary to register the strongest objections to that provision. Very similar considerations apply to the accompanying proposed section 505 of the same bill, which would also be harmful to the multilateral status of these institutions by requiring unilateral justification of each international lending action by these multilateral institutions. Justification of our participation takes place in sessions with Congress such as is taking place today.

Moreover, we are prepared to discuss frankly and forthrightly some recent unfavorable allegations concerning the conduct of the Bank's affairs. I can assure the committee that all the critical points of which I am aware have been carefully reviewed. I remain convinced that the Bank is a sound institution operating effectively in support of the hemisphere's development. It is well placed to meet the challenges of the 1970's. We stand ready to respond to any further inquiries you may have in this area.

Conclusion

Mr. Chairman, the proposal before you has President Nixon's full support. The authorization amounts we are seeking today are large, just as the development financing needs in Latin America are large. The institution through which these funds will be channeled, along with comparable funds from all of the other member countries, is the primary vehicle for financial cooperation in this hemisphere. The IDB continues to show satisfactory financial results, enabling it to strengthen its reserve position and maintain the confidence of the purchasers of its securities around the world. The U.S. stake in it is large, not simply in financial terms but also in terms of our entire foreign economic policy stance toward Latin America. Both our national interests and the development aspirations of Latin America have been well served by the constructive contribution made by the Bank in its ten-year history. I urge that you endorse the legislation before you for its early adoption by the Congress.

Exhibit 44.—Statement by Under Secretary for Monetary Affairs Volcker, September 3, 1969, before the Senate Finance Committee, on extension of the interest equalization tax

I appreciate the opportunity to appear before this committee to urge your approval of H.R. 12829 extending for a further period (through March 31, 1971) the interest equalization tax (IET).

This Bill follows a recommendation of the President in his April 4 statement on the balance of payments.

As the President made clear at that time, this Administration aims to relax and dismantle as soon as possible the various selective controls over capital exports. But he also indicated that this must be done with prudent concern for the realities of our balance-of-payments situation. Consequently, while he reduced the rate of the tax he found it necessary to request the extension of the legislation.

This tax does not in any way reduce the necessity to pursue the fundamental measures needed to correct the underlying causes of the balance-of-payments problem. Most importantly we must eliminate the overheating and inflationary pressures that have characterized the economy in recent years. However, this approach requires time. In the interim, we need the balance-of-payments protection afforded by the interest equalization tax.

There is no denying that our balance-of-payments position continues to be a subject of concern.

The source of this concern is the disappearance of our large trade surplus. From an annual average of $5 billion in the early 1960's this surplus has rapidly evaporated. Consequently, our total current-account position (including net investment income, other service transactions and transfers, as well as trade) has shown a large deterioration.

Even excluding military expenditures abroad—inflated since 1965 by the Vietnam conflict—our current-account surplus, which averaged around $5.7 billion per year in the early 1960's, is now running somewhat under $3.5 billion per year, notwithstanding the growth in investment income. While we look forward to a reversal of this trend and an improvement in our current account position, this is not a short-term process.

Fortunately, our overall payments position has been supported by capital inflows. Permitting the IET to lapse—with a consequent increase in capital outflows—would hurt our position on capital account at a time of deterioration in our current account. This could result in increased pressure on our reserves.

The IET has substantially supported our payments situation since its inception. In addition, this tax has played a significant reinforcing role in connection with the other two capital restraint programs covering (1) loans to foreigners by U.S. financial institutions; and (2) direct investment outflows of U.S.-source funds. The design of each of these programs was such that their effectiveness and their administration would be facilitated by the IET.

There is ample evidence of the continued need for this tax measure.

1. Lower interest costs for bond issues by foreign borrowers in the U.S. capital market, as compared with alternative sources, is largely what prompted this measure in the first place. These differentially lower U.S. rates persist today.

This fact may come as a surprise to those who cite the U.S. bank "prime rate" of 8.5 percent and read about Euro-dollar borrowings at 10 percent to 11 percent. However, comparison of rates on long term bonds shows that even though the differential between borrowing costs, here and abroad, did narrow this spring, it continues to be cheaper, apart from the IET, for foreigners to borrow in the United States.

2. Countries and institutions exempt from the IET—which can choose between the U.S. and foreign markets—have continued to place an increasing amount of issues in the United States.

3. The foreign direct investment program has encouraged borrowings overseas by U.S. companies as a means of financing investment abroad, thereby reducing the balance-of-payments impact on the United States. Many of these issues have had especially attractive features. The IET has deterred U.S. residents from purchasing these securities—purchases which would negate the benefit of the direct investment program. The very substantial volume of these attractive issues now outstanding would certainly occasion an intolerable outflow of capital from U.S. residents if the tax were to lapse now.

Supported by this clear evidence of its effectiveness and the continued need dictated by our payments position, the proposed extension of the IET is the minimum insurance necessary to guard against the risk of potentially large portfolio outflows.

Secretary Kennedy has recently written to Senator Javits, relating this request for extension of the interest equalization tax to our balance-of-payments policy and to President Nixon's April 4 statement. The occasion was a letter from the Senator which emphasizes the desirability of dismantling our direct balance-of-payments controls as soon as possible and asks for the Secretary's views. The Secretary replied:

"On April 4, 1969, President Nixon purposefully began just exactly this type of process consistent with our balance-of-payments position. At that time he announced a relaxation of the capital restrictions on foreign direct investment and lending abroad by bank and nonbank financial institutions. In addition, he pledged that 'we shall find our solutions (to our economic problems) in the framework of freer trade and payments.'

"The President also pointed out that 'The distortions created by more than 3 years of inflation cannot be corrected overnight. Nor can the dislocations resulting from a decade of balance-of-payments deficits be corrected in a short time.' It was against the background of these actions, this pledge and an appreciation of the time it takes to restore balance to the economy that the President announced his intention to seek an extension of the Interest Equalization Tax. The extension legislation now before the Senate has a new provision which would provide to the President the authority to have a lower tax rate on new issues from that which would pertain to outstanding securities. The purpose of this provision is to provide that degree of flexibility which could be useful in reducing the reliance upon this tax as a selective restraint in our overall balance-of-payments program. For example, if this authority is employed, a low or no tax on new issues could permit greater access to our markets for new projects without according this benefit to outstanding issues.'

"The willingness of this Administration to vary the IET tax rate so that it will be as low as possible consistent with monetary stability was demonstrated first on April 4 when President Nixon reduced the IET rate from approximately 1¼ percent per annum to three-quarters percent per annum on debt securities. It is my intention to recommend to the President further use of this authority as circumstances permit, and in this regard I will be specially mindful of the opportunity to employ the additional flexibility we are now seeking from Congress which hopefully will advance the time when our reliance upon this tax can disappear.'

"It is also my intention to recommend as soon as possible in the light of balance-of-payments developments, additional steps in the gradual relaxation of the capital restrictions imposed under the foreign direct investment program.'

"I would emphasize the fundamental fact that our efforts to further reduce reliance upon selective restraints will be greatly facilitated by the evident effectiveness of our program of general restraints in reducing inflation, restoring better balance to our economy, and creating the conditions that make it possible to rebuild our trade position. As inflation is so much the cause of our international payments problem, it is vital that we pursue the fiscal-monetary restraint which will foster our balanced growth."

I am providing for the record, as an annex to this statement, an updated summary of the main statistics relating to this subject.

ANNEX

Statistics Relating to Request for Extension of the Interest Equalization Tax

Interest rates.—While the gap between long-term interest rates on U.S. and foreign capital markets has narrowed in recent years, a significant differential favoring an outflow of U.S. long term loan capital still remains.

The accompanying data summarize the situation during recent months and during the same period 2 years ago for U.S. and foreign corporate issues.

Yields on outstanding bonds in domestic market and on international straight debt issues abroad

[Average of end-of-month rates]

	May–July 1969	May–July 1967
U.S. corporate bonds (domestic)	7.16	5.66
Dollar issues abroad by:		
U.S. companies	7.47	6.40
Foreign companies	7.58	6.67
Margin by which foreign yield exceeds U.S. yield:		
U.S. companies	.31	.74
Foreign companies	.42	1.01

On long-term government issues, the differential also continues to be significant in the case of many major countries, as shown in the accompanying table.

Yields on U.S. Government and various foreign government long term bonds, June 1969

[Percent per annum]

	Yield	Differential over U.S. bond yield
Western Europe (average)	6.95	0.89
Belgium	5.94	−.12
Denmark	9.46	3.40
France	6.37	.31
Germany	6.50 (May)	.65 (May)
Italy	6.00	−.06
Netherlands	6.83	.77
Sweden	6.82 (May)	.97 (May)
Switzerland	4.58 (May)	−1.27 (May)
United Kingdom	9.46	3.40
Other developed countries:		
Canada	7.68	1.62
Australia	5.87	−.19
New Zealand	5.55	−.51
U.S. Treasury bonds	6.06	

New issues.—New issues in the United States by countries subject to the tax have virtually disappeared in recent years, whereas issues here by tax-exempt countries have increased.

New issues of foreign securities purchased by U.S. residents, 1962 through mid-1969

[In millions of U.S. dollars]

	Annual rate			
	1962 and 1st half 1963	2d half 1963 through 1966	1967 and 1968	1st half 1969 (estimate)
Total new issues	1,384	1,065	1,639	1,494
Countries subject to IET	466	89	8	--
Countries exempt from IET (including international institutions) of which:	919	976	1,631	1,494
Canada	711	690	977	1,028
Latin America	88	96	142	
Other Countries	64	115	194	466
International institutions	56	75	318	

The decline in new issues in the United States by countries subject to the tax has been accompanied by an increase in their international issues abroad, according to the following estimates compiled by Morgan Guaranty Trust Company.

Estimated new issues of foreign securities sold outside North America 1962 through mid-1969

[In millions of U.S. dollars]

	Annual rate			
	1962 and 1st half 1963	2d half 1963 through 1966	1967 and 1968	1st half 1969 (estimate)
Foreign borrowers, total	393	928	2,116	3,002
Western Europe	247	559	948	1,498
Japan	33	81	97	240
Canada			123	366
Other countries	68	140	511	412
International institutions (including minor unallocated).	45	148	437	486

Outstanding issues.—The tax has also discouraged U.S. purchases of outstanding foreign securities from foreigners. In the 3½ years preceding the announcement of the tax in mid-1963, U.S. residents were net purchasers of foreign outstanding issues at an annual rate of about $270 million mostly from foreigners in countries later subject to the tax.

For several years following announcement of the tax, U.S. residents were net sellers of foreign outstanding issues. Since 1967, however, U.S. residents have again become net purchasers of outstanding foreign securities, as the following table shows.

Net transactions in outstanding foreign securities by U.S. residents, 1960-68

[In millions of dollars. Negative figures represent net sales]

1960	−309
1961	−387
1962	−96
1963—1st half annual rate	−302
Average annual rate, 1960-June 1963	−274
1963-2d half annual rate	204
1964	194
1965	225
1966	323
1967	−116
1968	−102
1969—1st half annual rate	−414
Average annual rate, July 1963-June 1969	70

IET collections.—Collections under the IET legislation are shown below. The bulk of the collections results from U.S. purchases of outstanding stocks.

Tax collections under the IET

[In millions of dollars]

1964	1965	1966	1967	1968	1st half 1969
8.0	20.7	25.3	40.4	91.7	71.2

Exhibit 45.—Statement by Under Secretary for Monetary Affairs Volcker, November 14, 1969, before the Subcommittee on International Exchange and Payments of the Joint Economic Committee

This Subcommittee has come to play a most valuable role in the never-ending task of keeping our international financial arrangements abreast of the needs of the times. You have promoted informed public discussion of important issues too often considered the preserve of experts, prodded practitioners to seek new and better solutions, and—not least—provided leadership and support when the need for change has been demonstrated. I am pleased to assist in this process this morning by discussing U.S. policies related to the proposed increases in International Monetary Fund quotas and the two-tier gold market arrangements.

I am doubly pleased that we can consider these matters against a backdrop of relative calm in international financial markets. The recurrent stresses and strains characteristic of recent years have been symptoms of underlying imbalances within and among national economies, as well as of some shortcomings in international financial arrangements. It would be too much to claim these problems are all behind us. But I think we can see some tangible and significant progress toward dealing with a number of the principal sources of uneasiness.

The evident strengthening of the external position of the United Kingdom, the adjustment of the French franc parity without serious disturbance, and the wise and courageous action of the new German Government in revaluing the mark have together removed the main sources of immediate speculative tensions. More than that, I believe they have helped establish a solid footing for moving ahead to deal simultaneously with remaining external and internal imbalances.

For instance, by making imports relatively cheaper and dampening strong incentives to divert current production into foreign markets, the revaluation of the mark should, at one and the same time, assist the German Government in dealing with emerging inflationary pressures at home and significantly improve the prospects of achieving a better equilibrium in external trade flows.

Accompanied by effective, sustained policies of internal fiscal and monetary restraint, the new exchange rate for the franc provides a basis for orderly restoration of the French competitive position. In weathering the strains of the past year—and with clear signs of basic improvement now showing through in recent trade and balance-of-payments data—sterling need no longer be a focus for speculative pressure.

The sense of greater stability fostered by these recent developments in particular countries had been strongly reinforced, I believe, by the multilateral decision at the IMF meeting to move ahead with the creation of Special Drawing Rights in the sizable volume of $9.5 billion over the next 3 years. This decision has been clearly presaged by intensive preliminary discussion through the summer. Nevertheless, the formal activation decision—taken with only one abstention—emphasized the extent of the consensus to move forward into a new era of managed reserve creation. More broadly, this wide agreement about so sensitive a subject as international money creation seems to me the best possible omen of our capacity to deal cooperatively with the problems in other difficult and complex areas.

Indeed, this process of monetary cooperation is now reflected in the fact that, as a result of discussions by the Governors of the Fund at the Annual Meeting, the Executive Board is now preparing to examine carefully and systematically the possible usefulness of introducing a somewhat greater degree of flexibility into the exchange rate mechanism. Study of this matter will take time. A wide variety of points of view must be brought to bear, many of which stem from the basically different economic circumstances in which various countries find themselves. It is far too soon to pronounce judgment on what, if any, specific proposals will pass the test of practicality and widespread usefulness. Certainly, we want to be imaginative in seeking ways to eliminate rigidities that inhibit the adjustment process or tend to build up incentives to speculation. But we also want to take prudent care that, in making changes, we do not undermine the broader stability and disciplines of the system as a whole—stability and disciplines that provide an essential base for expanding trade and orderly planning and investment decisions. I can assure you that the United States will be actively participating in this joint effort in this spirit.

The series of crises and near crises in international financial markets that have

been characteristic of recent years have been a prod for constructive change. But we can also take some satisfaction from the fact that massive speculative flows have been absorbed and contained without rupturing the basic international financial structure or impeding the growth of trade. Our defenses have been tested, and they have stood firm.

Nowhere has this been more striking than with respect to the new gold market arrangements introduced in March of 1968—the so-called two-tier system. In essence, the decisions taken at that time separated dealings in gold among national authorities from the vagaries of industrial and speculative demands and new production in the private markets. The immediate result was to break the link between currency disturbances or speculation and a drain of gold from official stocks into private hoards—a link that, in practice, had become self-reinforcing. Instead, speculation in gold now spends itself in fluctuations in the price in private markets. The process is self-limiting, as the rising price of an asset that yields no return simply increases the risk of subsequent loss.

Since the two-tier system was introduced, we have, in fact, seen the private price move over a considerable range in the leading markets. The upper end of that range, at about $44 an ounce, was reached in the course of the first year—a period when the market was growing accustomed to the new arrangements even while the supplies of newly mined gold released to the market were unusually light. Since March of this year, the trend has generally been downward. The current price happens to be close to the lowest point since the two-tier system was established.

At least to those not actively participating in the market, the forces pushing the price in one direction or another at a given time are often obscure. But what is important is that fluctuations in the private price have increasingly come to be viewed as a characteristic of what is essentially a commodity market, with limited significance for the monetary system. Indeed, the private market reacted only slightly, if at all, to some of the more severe currency crises of the past year. The price movements that have developed in response to private forces and interests only seem to reinforce the wisdom of separating our basic monetary arrangements from the vagaries of this market.

The existing national stocks of some $39 billion of gold of course remain the most important single element in official world reserves, accounting for somewhat over half the total. I believe gold will continue to have an important role in the monetary system as far ahead as we can foresee. The institution of the two-tier system recognizes that, relative to other reserve assets, the role of gold will decline over time as the need for total reserves grows. Indeed, operation of the two-tier system must assume the creation of acceptable reserves in other forms.

In this sense, the SDR is a natural complement. Within 3 years, the volume of SDR's will be the equivalent of, roughly, one-fourth of the entire official stock of gold.

On the basis of performance, I believe the two-tier system must be judged a success. This is true despite the fact that it has not been possible so far to reach an understanding with the world's largest gold producer—South Africa—as to appropriate means by which it might wish to handle its newly mined gold within the framework of the generally accepted arrangements. Normally, South Africa accounts for almost 80 percent of all new production.

South African authorities have indicated that, as a practical matter, a substantial portion of this production has been channeled to private hands at premiums over the official price. Unlike other gold producers, however, South Africa has also chosen to withhold a portion of its potential supply from the private market. The manner of handling South African gold has, of course, been a recurrent element of market uncertainty that I doubt is in anyone's long term interest. That is why I remain hopeful that an understanding can ultimately still be reached as to the appropriate methods of handling South African sales within the framework of the best interests of the system as a whole.

Consistent with the basic premises of the two-tier system, I am aware of no attempt by official institutions to profit from the higher price of gold in private markets by official sales. Moreover, the collective judgment embodied in the March 17, 1968, Communiqué that there is no need to add to reserves in the form of gold from the private markets has been reflected in the abstention of all major countries from purchases of South African or newly-mined gold, apart from certain transactions arising from the normal mechanism of the IMF.

The exceptions to this practice, to the best of my knowledge, have been confined to a very few, small countries. These purchases seem to me to have been distinctly unfortunate. Obviously, the amounts of gold involved have not, in themselves, impaired the effective operation of the two-tier system. Nevertheless, all countries and all central banks seem to me to share a common responsibility for maintaining the health of the system as a whole, from which all benefit. In this instance, the proper expression of this common responsibility seems to me a willingness to abide by the generally accepted implications of the two-tier system.

In a world of more than 100 countries, misunderstandings of the purpose and importance of the new arrangements are, of course, possible. In those few instances where some question has come to our attention, we have, naturally, communicated our views directly to those concerned. On this basis, I feel confident that the basic principles inherent in the two-tier system are increasingly well understood.

In announcing these hearings, your Chairman correctly noted that new gold has entered the monetary system from South Africa as a byproduct of certain IMF transactions. Some $100 million of South African rand have been drawn from the Fund since the beginning of the two-tier system. In addition, as reviewed earlier in an exchange of letters between Messrs. Reuss and Widnall and Secretary Kennedy published last spring, in certain circumstances South African drawings from the Fund may be repaid in gold. A total of $50 million was involved in such repayments last summer.

These transactions follow long-standing IMF procedures, and the United States has not felt it necessary or desirable to raise questions about these particular applications of established procedures so long as no clear record developed of their repeated use simply to divert gold from the private market. This has not been the case so far. The use of rand in drawings has not been out of proportion to the use of other currencies, on the basis of established criteria. So far as the South African drawing in the spring was concerned, Secretary Kennedy noted, in his letter to the Chairman, that:

"* * * We have long supported the concept that gold tranche drawings be virtually automatic, and we continue to believe that no doubt should be cast on the ability of a country to mobilize these funds promptly should it deem a need exists. I am convinced that should experience show that the privilege is being abused by repeated drawings and repayments unrelated to the basic objectives of the IMF, adequate means exist to effectively halt such practices."

Your Chairman, in his announcement, also raised the question of what plans there might be for handling the gold portion of the payments required in connection with the anticipated increase in IMF quotas. The problem arises essentially because the Fund Articles—drafted 25 years ago—require that 25 percent of any increase in quotas must be made in the form of a single kind of reserve asset: namely, gold. Because some countries hold very little gold, the potential arises for a large conversion of dollars into gold, presumably at the expense of U.S. reserves, simply to enable these countries to make necessary quota payments.

One effective and straightforward way of averting this incidental, but quantitatively large, potential drain of U.S. reserves as a result of quota increases would be to permit SDR's to be used as well as gold. As a result of the initial activation of SDR's in January, virtually every country would then be equipped to make the necessary payment from its own reserves, just as major countries, including the United States, are prepared to pay in gold. Moreover, this procedure would further demonstrate the essential equivalence of gold and SDR's as reserve assets.

Unfortunately, the amendment to the Articles of Agreement providing for SDR's failed to include such a provision. I believe many foreign officials would now share the regret expressed publicly by Emilio Colombo, the Italian Minister of the Treasury, who was a principal in the SDR negotiations, over this omission. However, I think we must recognize the difficulty of amending the Articles at this time for this purpose.

In any event, other techniques are available to forestall the so-called secondary impact of quota payments on our own reserve position. These techniques are more cumbersome. They essentially entail a series of transactions by which countries with insufficient gold would initially obtain the gold from one or more other countries; the gold is then paid into the Fund; and the Fund, in turn, repurchases with equivalent gold, needed currencies. In the end, the Fund will be adequately

supplied with usable currencies, or perhaps SDR's, without impairing the reserve position of any country. I believe in concept the need for such an arrangement is widely accepted, and there is every reason to expect that the Executive Directors will propose a fully acceptable and technically sound plan.

The Executive Directors are now shaping a proposal to the Governors as to the size and distribution of quota increases themselves. The U.S. welcomes this prospective addition to the Fund's resources, which I anticipate will be reasonably in line with the growth of the world economy. In a sense, this prospective addition to the supply of international credit is a natural complement to the inauguration of SDR's, which provide an expanded reserve base.

The task of achieving a distribution of quotas that fairly reflects the relative needs and circumstances of various member countries is a delicate process. In balancing the various considerations involved and to facilitate the negotiating process, the United States has indicated a willingness to accept a slightly smaller percentage increase in its own quota—now at $5.2 billion—than seems likely for the average member. Nevertheless, we anticipate that, for the first time since the Fund was founded, the United States, in addition to its share of a general increase applicable to all members, will accept a portion of the additional selective increase to which it would be entitled on the basis of commonly used formulas calculated to reflect relative economic growth and weight. This decision may raise the further question, in the light of previous practices, of whether we are prepared to increase in approximately the same proportion our capital subscription to the World Bank. Both the quota and any possible increase in the World Bank subscription would, of course, require legislation.

All of this, as I suggested at the start, suggests progress in dealing with the problems of the international financial system. But we must also recognize there is one area—fundamentally more important than any other I have touched on today—where the needed progress has been all too slow.

I am referring, of course, to the related problems of our balance-of-payments position and our internal inflation. The preliminary third quarter payments figures show a seasonally adjusted deficit on the so-called liquidity basis of some $2½ billion, only a bit below the average of $2.8 billion during the first two quarters of the year. Moreover, on the official settlements basis, where we had a sizable surplus in the first half of the year, a deficit approaching $1 billion developed in the third quarter.

It would be misleading to focus too closely on precise numbers. The conventional measure of the liquity deficit continues to be distorted by some transient factors of little real economic significance, including a sizable reversal of so-called special receipts. Outflows related to speculation in the German mark, which subsided only at the end of the quarter, probably had some impact on both measures of our payments position. Conversely, a reflow of funds from Germany, the apparent need for many corporations to repatriate funds to conform to the direct investment regulations, and other factors should work toward some improvement during the current quarter.

Nonetheless, any analysis makes it plain that, beyond short-run distortions, we face a major challenge. The nub of the problem is perfectly clear. If we expect to invest freely abroad, to provide aid, and to carry our military responsibilities, we must, over time, provide the bulk of the resources through a strong trade and current account position. Instead, we have permitted, over recent years, an erosion in our international competitive position, and overheating has sucked in imports. By 1968, our traditional large trade surplus had almost vanished.

In recent months, there have been some glimmerings that the process of restoring that favorable trade balance may have begun; at the least, the deterioration has been stemmed. A vigorous business climate abroad should provide a clear opportunity for improvement in the year ahead. But it is plain that the full job of restoring our competitive position can't be accomplished easily or quickly.

What is essential is that the signs of underlying progress are plain. The most important sign of all will be a dampening of our internal inflationary pressures.

I know this kind of plea is familiar to you all, and I have no new approach to recommend other than the tough and painful—but also indispensable—course of fiscal and monetary restraint. I repeat these words today only because it is always too easy—in the euphoria of the moment, intrigued by the intellectual challenge of developing one monetary mechanism or another—to lose sight of

this fundamental. The size and distribution of Fund quotas, the performance of the two-tier system, the effects of the German revaluation, even the major accomplishment of the SDR and the potential for some limited flexibility of exchange rates will be of limited consequence if we do not meet our own responsibilities for a reasonable degree of price stability.

In the end, world monetary stability rests on the stability of the dollar itself. Failing that, I will be in no position to report in the future the same grounds for confidence that I have cited today.

Exhibit 46.—Letter from Under Secretary for Monetary Affairs Volcker, January 9, 1970, to Congressman Reuss, on the handling of South African gold

January 9, 1970.

DEAR MR. REUSS: As Chairman of the Subcommittee on International Exchange and Payments of the Joint Economic Committee and the Subcommittee on International Finance of the House Banking and Currency Committee, you are particularly interested in the announcement on December 30 by the International Monetary Fund of a decision on the handling of South African gold.

As I recently testified before your committee, the two-tier gold market has performed with great effectiveness. At the same time, I noted there had been one element of uncertainty with respect to the handling of new gold production that was not in anyone's long term interest.

The appropriate treatment of newly-mined gold, and of South African gold more generally, within the framework of present gold arrangements was not fully considered or resolved at the Washington meeting among some leading central banks that led to the establishment of the two-tier system in March of 1968. This matter has, of course, been discussed repeatedly among the interested countries since the inception of that system. One common thread in all the discussions in which the United States has participated, dating back at least to the IMF meetings in the fall of 1968, has been the concept of official purchases of South African gold in circumstances in which the private price moved to or below the official price. However, there have also been areas of substantial disagreement and contention.

I believe that the agreement that has now been reached on the proper treatment of South African gold in the framework of the IMF is fully consistent with the continued effective functioning of the two-tier system. Indeed, the decision with respect to South African gold represents a formal recognition of the two-tier system and its essential operational characteristics by the IMF membership itself.

The official consensus now expressed in these related IMF decisions, practices, and policies seems to me an important step in institutionalizing the gold market arrangements in an agreed manner. It should certainly help avoid future deviations in practice in the handling of gold transactions with South Africa, as have occasionally taken place in the past.

I am enclosing a copy of the press release [1] of the International Monetary Fund setting forth the elements of the overall understanding.

I would note, in summary of the principal aspects, that a major feature of the understanding is that South Africa will sell all newly-mined gold in the private market in an orderly manner to the extent of its payments needs as long as the market price is above \$35 per ounce. When the price is \$35 or below, the IMF would be prepared to buy such newly-mined gold in amounts limited to South African payments needs at a price equivalent to \$34.9125. This would, of course, be the lowest price at which South Africa has had to sell gold for many years.

Otherwise, South African reserve gold, with certain understandings as to South African intentions, is available for use for the same essential purposes that other countries normally may satisfy through use of their gold reserves. However, when South African reserve gold is sold officially, South Africa will normally offer it to the IMF (i.e., not solicit sales to other official buyers) and members of the IMF will generally not initiate gold purchases from South Africa.

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[1] See following exhibit.

397-702 O—71——30

Consequently, the IMF will be the recognized channel for gold transactions between South Africa and other monetary authorities.

I would note that the decision of the IMF to buy South Africa's new production if the market price is not above $35 per ounce does not provide any certain floor for the market. Obviously, the potential removal of this large source of supply from the market when the price declines to the official price should inhibit declines in the market price below that level. But it does not assure that the private price will not go below $35 per ounce. Specifically, speculative holders of gold are neither assured a floor price for their holdings nor an ability to unload promptly without driving the price down.

It is our view that, with these agreed arrangements for newly-mined South African gold, monetary authorities need no longer be concerned over price developments in the private market and should abstain from any purchase of gold from the private market. I thus anticipate that these arrangements will, in effect, tie up the "loose end" of the two-tier system and permit us to dispose of gold as a contentious issue in international monetary affairs.

I might also take this opportunity to comment on the relationship of the decision taken in the IMF to the recommendations contained in the Subcommittee's Report entitled "The Pedigreed Gold System: A Good System—Why Spoil It?"

With respect to the subcommittee's first recommendation, I have already explained why I believe the IMF decision, far from undercutting the two-tier system as the subcommittee may have feared, will help to consolidate and institutionalize that system by making it the agreed basis for IMF practices as well as the policies of individual countries. Indeed, press reports clearly indicate that it is precisely in recognition of that point that one country, which has not associated itself officially with the two-tier system, felt it must abstain from the Fund decision. Also, I have noted that a firm floor has not been placed under the free market itself.

I respect and understand the considerations that led your committee to a different view as to the appropriate handling of South African gold. I am sure that you, too, understand that this is a matter for IMF decision and for an international consensus, not a matter of interest to the United States alone.

The second recommendation of the subcommittee regarding purchases by the IMF of legitimate monetary gold is one with which I agree. Our Executive Director to the IMF has so indicated to IMF members.

Also, I am in agreement with the third recommendation and am pleased to report that fully satisfactory "mitigation" arrangements have been agreed to in connection with the currently proposed quota increase. This will be accomplished without any use of South African gold (other than that used by South Africa to make its own quota payment).

Finally, I agree with the subcommittee view expressed in the fourth recommendation that, in the future, SDR should, along with gold, be eligible to meet quota obligations. The United States has made clear that it will support an amendment to the Articles of the IMF to accomplish this, and I fully hope and expect such an amendment will be adopted prior to any general increase in quotas beyond the present proposals.

I hope these views will be useful to you in considering the merits of the understanding reached in the IMF on South African gold. I would, of course, be pleased to discuss the matter further with you in any way you might wish.

Sincerely,

Paul A. Volcker.

Hon. Henry S. Reuss,
U.S. House of Representatives.

Exhibit 47.—Press release of the International Monetary Fund, December 30, 1969, on South African gold

After noting a policy statement of South Africa with respect to the sale of gold and the handling of its reserves, the International Monetary Fund today decided that it will buy gold offered to it by South Africa whenever the latter indicates that the offer is in accordance with this statement.

Under this policy, South Africa may offer to sell gold to the Fund when the market price of gold falls to $35 per fine ounce or below, in amounts necessary to meet current foreign exchange needs during any such period. Further, South

Africa may sell gold to the Fund, regardless of the price in the private market, to the extent that South Africa has a need for foreign exchange over a semiannual period beyond the need that can be satisfied by the sale of all current new gold production in the private market.

At the same time South Africa intends to sell its current production of gold in an orderly manner in the private market to the full extent of current payments needs. However, South Africa may offer to sell gold up to $35 million quarterly beginning January 1, 1970, from the stock of gold it held on March 17, 1968, reduced by sales it made to monetary authorities (including Fund-related transactions) after that date and also by such future sales to monetary authorities as it may make to finance deficits or as a result of Fund-related transactions.

South Africa would also continue to use gold in accordance with the Articles and past decisions of the Fund whenever the occasion would arise, for example, to pay charges, to make repurchases of the Fund's holdings of rand, or to pay the gold subscription arising from any increase in South Africa's quota. South Africa has stated that South African rand purchased by other Fund members in accordance with Fund procedures would generally be converted into gold by South Africa on the request for conversion of the member purchasing the rand from the Fund. The announced policy also envisages that South Africa may offer to sell gold to the Fund to obtain currency when South Africa is designated by the Fund under the Articles to receive Special Drawing Rights from another participant in return for currency to be provided by South Africa to the participant that is using its Special Drawing Rights. These Fund-related sales of gold will not affect the volume of sales of newly-mined gold in the market.

The Fund decision, which is taken without prejudice to the determination of the legal position under the Fund's Articles of Agreement, is to be reviewed whenever requested because of a major change in circumstances and in any event after five years. The Fund also has accepted at this time an offer previously made by South Africa to sell gold to the Fund in return for 14.5 million pounds sterling.

South Africa has also stated that when selling gold other than in the private market it intends in practice normally to offer such gold to the Fund. The Fund took the decision to purchase gold from South Africa with the understanding that members generally do not intend to initiate gold purchases directly from South Africa. Gold sold to the Fund can be used by it whenever the Fund deems it necessary to replenish its holdings of member currencies. Ordinarily, sales of gold to the Fund by South Africa will be subject to a charge of one-quarter of 1 percent.

Exhibit 48.—Press release of the International Monetary Fund, January 13, 1970, attaching correspondence from South African Minister of Finance Diederichs and Under Secretary for Monetary Affairs Volcker

In view of public interest in details of the recently announced arrangements relating to sales of gold by South Africa to the International Monetary Fund, the South African and U.S. authorities have requested the Fund to publish the attached correspondence.

MINISTRY OF FINANCE,
Pretoria, South Africa, 23d December, 1969.

DEAR MR. SCHWEITZER: As you know, for some time the Republic of South Africa has been discussing with the United States, with other members, and with you procedures for the orderly sale of newly-mined gold in the market and the sale of gold to the International Monetary Fund. I wish to inform you that as a result of these discussions, the South African authorities have adopted a policy with respect to gold sales and I would like to request that the Fund confirm that it will be prepared in the light of this statement of policy to buy gold from South Africa in the circumstances and under the conditions set forth below.

The following are the intentions of the South Africa authorities as to the handling of newly-mined gold and reserves.

(1) Without prejudice to the determination of the legal position under the Articles of Agreement of the Fund, the South African authorities may offer to sell gold to the Fund for the currencies of other members at the price of $35 per ounce, less a handling charge, as follows:

(a) During periods when the market price of gold falls to $35 per ounce or

below, at which times offers to sell gold to the Fund under this paragraph (a) would be limited to amounts required to meet current foreign exchange needs, and

(b) Regardless of the price in the private market, up to the extent that South Africa experiences needs for foreign exchange over semiannual periods beyond those which can be satisfied by the sale of all current new gold production on the private market or by sales to the Fund under paragraph (1)(a) above.

(2)(a) The South African authorities intend to sell current production of newly-mined gold in an orderly manner on the private market to the full extent of current payments needs. It is anticipated that new production in excess of those needs during a semiannual period may be added to reserves.

(b) When selling gold other than in the private market, the South African authorities intend in practice normally to offer such gold to the Fund.

(c) The South African authorities may use gold in normal Fund transactions, e.g. in repurchase of appropriate drawings from the Fund, and to cover the gold portion of any South African quota increase, and to obtain currency convertible in fact to exchange against Special Drawing Rights for which South Africa is designated by the Fund. Rand drawn from the Fund by other members would generally be converted into gold when rand are included in drawings under normal Fund procedures. These Fund-related transactions, which may take place without regard to the market price of gold, will be reflected by changes in the composition of South Africa's reserves but will not affect the volume of sales of newly-mined gold in the market.

(3) Notwithstanding paragraphs (1)(b) and (2)(a) above, the amount of gold held by South Africa on March 17, 1968, reduced by sales by South Africa to monetary authorities (including Fund-related transactions) after that date and further reduced by such future sales to monetary authorities as may be made to finance deficits or as a result of Fund-related transactions, will be available for such additional monetary sales as the South African authorities may determine, up to $35 million quarterly beginning January 1, 1970. It is also contemplated that as an implementation of this understanding, the Fund would agree to purchase the amount of gold offered to it by South Africa in May 1968.

In order to determine whether South Africa has balance-of-payments surpluses or deficits as well as to indicate other operational and procedural points with respect to this policy, I enclose a memorandum which clarifies these particular matters.

It would be appreciated if, in the light of these policy intentions, the Fund were able to decide that it would purchase gold from South Africa in the circumstances outlined above. I would expect that the Fund would review the situation at any time if there were a major change in circumstances and in any event after 5 years.

The South African authorities will work out with the Managing Director consultation procedures on the currencies to be purchased from the Fund with gold.

I hope that this announced policy, the implementation of which I believe will be a contribution to the stability of the International Monetary System, and my suggestion meet with the concurrence of the Fund. A copy of this letter has been sent to the Secretary of the Treasury of the United States.

Yours sincerely,

N. Diederichs,
Minister of Finance,
Republic of South Africa.

The Managing Director,
International Monetary Fund,
Washington, D.C. 20431
United States of America.

Operational and Procedural Points

A. For the present purposes, balance-of-payments deficits and surpluses will be equal to the change during the accounting period in the total of South African official gold and foreign exchange reserves, the net IMF position and changes in SDR holdings, and any foreign assets held by other South African banking institutions and public agencies under swap arrangements with the Reserve Bank. It is understood that changes in gold holdings outside the monetary reserves and

in monetary banks' positions not covered by Reserve Bank swaps are normally not significant. If they should at any time become significant, further consideration will be given to their inclusion in the calculation. SDR allocations will not be considered as reducing a deficit or increasing a surplus as above defined. South Africa does not envisage unusual or nontraditional foreign borrowings or other special transactions that would affect the elements listed in this paragraph.

B. Addition of newly mined gold to South African reserves under paragraph 2(a) will take place when there is a surplus for an accounting period. It is envisaged that all new gold production, less domestic consumption, during the accounting period will be treated as a balance-of-payments credit item and that it will, in fact, be sold currently under paragraph 1(a) and paragraph 2(a) to the full extent necessary to meet payments needs, except for the sales available under paragraph 3, apart from the Fund transaction initiated in May 1968.

C. Sales of gold by South Africa to monetary authorities under paragraph 1(a) may be made for any day when both London fixing prices are $35.00 p.f.o. or below, in an amount reasonably commensurate with one-fifth of weekly sales from new production required to be marketed to meet balance of payments needs.

D. Subject to paragraph 2(a):

1. Should sales to monetary authorities under paragraph 1(b), plus sales of SDRs and drawings from the IMF by South Africa, exceed the deficit defined under paragraph A of this memorandum, such excess will be deducted from the amount allowable for the first succeeding accounting period wherein a deficit is again encountered.

2. Should sales to monetary authorities under paragraph 1(b), plus sales of SDRs and drawings from the IMF, fall short of the amount allowable for an accounting period in which South Africa aims to finance its entire deficit by these means, such shortfall will be added to the amount allowable for the next succeeding accounting period.

3. It is expected that any discrepancies under 1 and 2 above will be minimal.

4. Should sales to monetary authorities under paragraph 1(b), plus sales of SDRs and drawings from the IMF, fall short of the amount allowable for an accounting period in which South Africa does not aim to finance its entire deficit by these means but chooses to sell more on the free market than it undertakes to do in paragraph 2(a), no correction will be made for any succeeding accounting period.

E. When the price criterion is operative, sales of gold to the IMF shall be attributed to the total deficit, if any, during the accounting period. The balance of such sales, if any, will be attributed to newly mined gold to the extent of gold production during the accounting period.

F. Sales or payments under paragraph 2(c) in connection with IMF-related transactions are expected to take place only within the criteria normally envisaged for IMF drawings by members, for use of members' currencies in drawings by other members and for SDR transactions.

G. Fundamentally, it is expected that the composition of South African reserves will not be greatly changed. In particular, it is understood that the ratio of gold to total reserves will remain relatively stable. If South Africa should desire to make additional sales of gold or otherwise exchange assets for the purpose of achieving a basic change in the composition of its reserve holdings, further discussion would be held with a view to clarifying intentions.

THE SECRETARY OF THE TREASURY,
Washington, December 24, 1969.

DEAR MR. SCHWEITZER: I have received a copy of the letter dated December 23, 1969, sent to you by Mr. Diederichs in which he sets forth the intentions which South Africa proposes to follow with respect to the handling of its newly-mined gold and reserves. This matter bears importantly on the continued effective functioning of the two-tier gold market which was initiated at a meeting on March 16–17, 1968, which you attended.

In view of the intentions of South Africa, and in view of discussions we have had with other Fund members, I should like to inform you that I have instructed the U.S. Executive Director to take the following position. The United States is prepared to support decisions of the International Monetary Fund to purchase gold offered for sale by South Africa in the circumstances and under the conditions described in that letter, assuming that there is an understanding among Fund members generally that they do not intend to initiate official gold purchases

directly from South Africa. With this understanding, I believe that the policies to be followed will be consistent with the stability and proper functioning of the international monetary system.

Sincerely yours,

PAUL A. VOLCKER,
Acting Secretary.

MR. PIERRE-PAUL SCHWEITZER,
Managing Director, International Monetary Fund,
Washington, D.C. 20431.

Exhibit 49.—Statement by Under Secretary for Monetary Affairs Volcker, February 19, 1970, before the Joint Economic Committee

We meet at a time when the atmosphere in world currency markets is happily free of the strains and tensions that characterized much of the late 1960's.

In part, this reflects solid progress during the past year toward reshaping our basic monetary arrangements. The collective decision to create Special Drawing Rights in sizable amounts was a step of fundamental importance. It points the way toward the provision of adequate amounts of world reserves in the years ahead, without relying either on the vicissitudes of the gold market or upon unsustainable growth in reserve currencies. The two-tier gold market arrangements—a logical complement to the era of internationally managed reserve creation implicit in SDR's—has proved its strength and value in practice. With the question of the treatment of new production now resolved, the two-tier system is becoming embedded in the operating practices and policies of our monetary institutions.

The calmer atmosphere can also be traced to effective policies by several large European countries. The exchange rate adjustments by France and Germany removed two of the principal focuses of speculative pressure. The progress of the British trade and payments position during the course of 1969 supports confidence in one of the most important world currencies. The process of balance-of-payments adjustment in France also appears to be advancing in an orderly way.

Finally, as always, developments in this country have been a critical ingredient in the international monetary scene. There is no question, as Secretary Kennedy has already suggested, that our underlying balance-of-payments position remains unsatisfactory. We must not be lulled by the tranquility of current monetary developments into ignoring this basic problem. The dollar has been demonstrably strong over the past year. But this strength has rested in part on some transient factors.

Most immediatey, the tightness of money in the United States has induced American banks and other borrowers to comb the world for dollars to use in the United States. There was an enormous short term capital inflow—mostly through the Euro-dollar market—running to some $9 billion in 1969. These pressures of demand have kept the dollar relatively scarce in the exchange markets, just as it has seemed scarce to potential borrowers within the United States.

As a result, foreign official dollar holdings actually declined in 1969, and U.S. official reserves rose by $1.3 billion. Those realities were reflected in a record surplus of $2.8 billion in our overall external accounts, as measured on the official settlements basis.

A second factor supporting the position of the dollar— and this looks toward the longer run—is the fact that a new Administration was visibly and directly grappling with our serious inflationary problem through the fundamentals of fiscal and monetary restraint. This supported confidence that the process of inflation and overheating would be brought under control, laying the needed groundwork for improvement in our basic payments position.

Helpful as these factors were last year, we plainly cannot count on tight money and good intentions as a lasting solution for our balance-of-payments problem. Instead, it is vitally important that we make visible progress on the more fundamental elements.

The $7 billion payments deficit, calculated on a liquidity basis, recorded last year is not, by itself, a meaningful measure of our basic position. Conceptually, that figure does not take into account the huge inflow of private short-term capital. Because those flows can be erratic and certainly cannot be sustained

at last year's level, their exclusion can be useful for analytic purposes. But we should recognize that, with the use of the dollar as a transactions currency still increasing, some rise in liquid dollar holdings by private foreigners can be anticipated over time.

Apart from the matter of definition, there were evident distortions in the so-called liquidity calculation last year. These grew out of the diversion into the Euro-dollar market of a sizable, but unidentified, amount of funds that otherwise might have been employed directly in the United States—funds that eventually were reborrowed by U.S. banks. In addition, there were shifts of official dollar holdings from the "nonliquid" to the "liquid" side of an arbitrary statistical line that had no economic significance. Together, these factors probably added at least $2½ billion to $3 billion to the recorded liquidity deficit.

Even with these mental adjustments, it is clear that our external accounts reflect a serious problem. I would suggest the dimensions of that problem can best be appraised by analysis of the trend in our trade balance and other current items. Only by achieving a sizable surplus in these accounts can we sustain over time our propensity to lend or invest abroad and to provide aid without, at the same time, feeding out more dollars into the rest of the world than other countries want to hold.

The attached table illustrates what has been happening during the past 5 years of inflation. Our trade balance, largely because of a surge in imports, declined from an average of nearly $5½ billion per year in the early 1960's to between $600 million and $700 million in 1968 and 1969. Meanwhile, high interest rates and the increased volume of short-term borrowing have driven up external interest and profit payments to foreigners over recent years almost as fast as the growth in profits and interest remitted to the United States. Other service accounts have changed little on balance. Consequently, a healthy balance on goods and services averaging about $6 billion from 1960 to 1964 dwindled to an estimated $2½ billion in 1969.

It would be an illusion to think that we can, in the course of a year or two, repair the damage of 5 years of inflation. Moreover, as the extreme pressures in our domestic money markets recede, the short-term capital inflow will presumably be curtailed and could even, for a time, be reversed. The consequence would be to produce a reflow of dollars into official reserves abroad and a deficit in our official settlement balance.

This should not, in itself, be an alarming prospect. Time and again in recent years, individual countries have experienced massive shifts of short-term money, responding to interest rate differentials as well as speculative movements. As economies become more closely integrated, as the total volume of international transactions by the United States alone reaches well beyond $100 billion a year, and as official inhibitions to capital flows are reduced, we must be prepared for recurrent large short-term swings in payments positions. It is a prime function of the international monetary system to finance those short-term swings, and I believe we are better equipped to do so than ever before.

Moreover, a moderate easing of pressures in U.S. credit markets may not be reflected in a massive net reflux of short-term money abroad. Indeed, the high rates here and the pull of funds into the United States has produced unwelcome pressures in some European markets. Given the close linkages among international markets, an easing in U.S. rates could well be accompanied by an easing in European money markets, and especially in Euro-dollar rates. I believe, at the proper point, such a general downward movement in interest rates would be welcomed by most foreign countries, as well as by the United States. In these circumstances, American banks may well retain a relatively large borrowing position in foreign markets.

We have had a cumulative official settlements surplus of $4.4 billion over the past 2 years. We would certainly be prepared to see that favorable balance reversed for a time, as a byproduct of a welcome easing of domestic monetary tensions. What is essential is that, over this same period ahead, we make visible progress in our basic trade and service accounts. Failure to achieve this result would be deeply disturbing.

Until the outburst of inflation since 1965, the U.S. record of internal price stability stood very favorably among industrialized countries. Even the recent deterioration in our trade position has been fairly concentrated among a relative handful of countries—especially Germany, Japan, Italy, and Canada. In other words, the deterioration in our trade position with most countries has been

moderate, and, in some instances where the balance has been sharply adverse, some corrective forces already seem to be developing. While domestic overheating has swelled our imports, important export markets for manufactured goods have been reasonably well maintained.

Improvement will not come without sustained effort. This primarily means a much better price performance than in recent years and the avoidance of excessive demand pressures.

But we must also be concerned, as must other countries, to improve the processes of international balance-of-payments adjustment generally. The provision of more adequate international liquidity should itself help. When reserves are inadequate, there is a tendency by individual countries to strive for surpluses or resist deficits simply to achieve adequate reserve growth over time. Unless the global supply of reserves is great enough to satisfy these desires, these tendencies are apt to be mutually frustrating and impede adjustment. Reserve asset creation is aimed at this problem.

In addition, the experience of the 1960's has led to more questioning of whether improvements are not also necessary in the means and methods by which exchange rates might be altered, in those instances when changes are appropriate, through gradual and limited adjustments. This matter is now under intensive discussion in the International Monetary Fund, including such familiar proposals as "crawling pegs" or "wider bands."

I cannot forecast the results of this discussion today. Certainly, views of national governments remain widely mixed and important issues are unresolved. I would emphasize, too, that, in accord with the reserve currency role of the dollar, our mechanical role in exchange rate adjustments tends to be passive; the initiative for change lies in other hands.

Obviously, we do have a close interest in the outcome of these discussions. We want to take full advantage of this period of calm to examine, fully and sympathetically, those areas where improvement may be needed.

The international monetary system is in a phase of transition. In the area of liquidity, it is clearly moving steadily away from dependence on gold to managed reserve creation. We are in a much earlier stage in considering how exchange rate changes, when appropriate and necessary, can be achieved with less disturbance. The events of the past year in international money markets also emphasize that we must face frankly the need for still more effective policy cooperation and coordination among nations in the period ahead.

The alternatives to evolutionary change are not inviting. We would find ourselves faced again with too many of the problems of the 1960's. Pressures to retreat into a world of controls and restriction would be strong—a world in which each nation, in an effort to preserve an unrealistic autonomy, builds walls around its industry and its money markets. That is the path we must resist—in the interests of the United States and the world as a whole.

U.S. balance of payments on goods and services account

[In billions of U.S. dollars]

	Goods and services balance	Trade balance	Income from U.S. investment abroad [1]		Payments of investment income to foreigners [1]		Military expenditures	Other items [2]
			Total	*(Interest)*	*Total*	*(Interest)*		
1960	4.1	4.9	3.3		−1.1		−3.1	0.1
1961	5.6	5.6	3.9		−1.0		−3.0	.1
1962	5.1	4.6	4.4		−1.1		−3.1	.3
1963	6.0	5.2	4.6		−1.3		−3.0	.5
1964	8.6	6.8	5.4		−1.5		−2.9	.8
1965	7.1	5.0	5.9		−1.7		−3.0	.9
1966	5.3	3.9	6.3	(2.3)	−2.1	(−1.4)	−3.8	1.0
1967	5.2	3.9	6.9	(2.5)	−2.4	(−1.6)	−4.4	1.2
1968	2.5	.6	7.7	(2.9)	−2.9	(−2.1)	−4.5	1.6
1969 (3 qtrs. ann. rate)	1.9	[3].3	8.8	(3.4)	−4.3	(−3.3)	−4.8	1.9

[1] Interest, dividends and branch profits.

[2] Travel, transportation, fees and royalties, deliveries under military sales contracts, and miscellaneous services.

[3] Actual for 1969 was $674 million.

SOURCE.—Department of Commerce.

U.S. trade balance, overall and with certain major countries; and latter's overall trade balance with world

[In billions of dollars; f.o.b. basis]

	1964	1968	Deterioration (−), or improvement 1964–68	1969
U.S. trade balance[1] with:				
World	7.01	.84	(−6.17)	1.26
Germany	.44	−1.01	(−1.45)	−.48
Japan	.24	−1.10	(−1.34)	−1.40
Canada	.68	−.94	(−1.62)	−1.25
Italy	.42	.02	(−.40)	.06
All other countries	5.23	3.87	(−1.36)	4.33
Trade balances of certain foreign countries with world:[2]				
Germany	2.40	5.68	(3.28)	
Japan	.17	2.53	(2.36)	
Canada	.65	1.27	(.62)	
Italy	−.64	1.05	(1.69)	

[1] Census data—differs from balance-of-payments data, largely through inclusion of DOD military export sales.
[2] Country sources.

Exhibit 50.—Remarks by Under Secretary for Monetary Affairs Volcker, April 20, 1970, before the annual dinner of the American Chamber of Commerce, Brussels, Belgium

I am honored to address your annual dinner tonight. The American Chamber of Commerce in Belgium symbolizes the close and friendly ties between our countries. It reflects the vitality of trans-Atlantic economic relationships. Even your location, in the heart of the Common Market, emphasizes important new dimensions in our relationship that are emerging from the drive for European economic unity.

Indeed, anyone concerned as I am with international financial developments cannot help but be aware of the ferment within "the six" on the monetary dimension of unity. There is an old maxim that prudence is the better part of valor. I will therefore resist the temptation—on the home ground of the experts—to offer unasked advice on that matter.

Instead, I would like first to report briefly on the current state of the economy in that other great common market called the United States and to relate those developments to our balance of payments. I would also like to suggest some broader conclusions for international monetary arrangements.

The tone of business activity in the United States has certainly changed in recent months. The further rise in the price indices is evidence enough that the momentum of inflation accumulated over a period of years is still strong. But the persisting inflationary concerns are also accompanied—and tempered—by much more public uncertainty about the course of the economy.

That is not an entirely comfortable position. But I believe it should be recognized for what it is—an essential phase through which we must pass in moving from overheating and inflationary strains to more balanced and orderly growth. Indeed, the present evidence suggests that the economy is broadly on the course foreseen in shaping the major fiscal and monetary policy decisions.

A period of negligible or no growth during the first part of 1970 had been clearly anticipated. The small decline in real gross national product now estimated for the first quarter and the modest rise in unemployment confirm that this pause has materialized. The necessary process of squeezing out excess demand pressures is never entirely free of risk. But the indications are that this objective has been successfully achieved without setting off cumulative downward pressures.

The easing of demand pressures has been accompanied by some relaxation of the tensions in financial markets that characterized 1969. Interest rates are, of

course, still at very high levels by American standards. As a part of the process of achieving better balance in the economy, I would welcome further declines.

But lower interest rates cannot be pursued in isolation. At this critical point in the fight on inflation, we are also conscious of the danger in feeding a resurgence in demand beyond our real growth potential.

Our success in steering a course to a resumption of balanced growth is, of course, not only important for the United States. The state of our economy will directly affect world trade. The financial dimensions may be even more critical. International money markets are mainly dollar markets and sensitive to changes in our own credit conditions. The fluctuations in our balance of payments inevitably have a large influence on worldwide reserve and monetary developments.

I am particularly aware that, over much of the past year, the extreme tightness of money in our markets had strong repercussions on European money markets. Moreover, the strong demands for money in the United States tended to drain reserves from European central banks, limiting their capacity to deal with their domestic market pressures.

The massive flow of liquid funds to the United States in 1969—which probably amounted to a net of some $6 billion—more than covered the continuing deficit in other elements of our balance of payments. In fact, there was a sizable increase in our own international reserves. At the same time, foreign official dollar balances by the end of last year had declined to the lowest level since 1963—in individual cases, probably falling below desired or sustainable levels and contributing to a feeling of tightness in international liquidity. In fact, partly as a result of these drains, the total reserves of the 10 leading industrialized countries of the European Continent had declined at the end of 1969 to $28.3 billion, lower than 5 years earlier.

We are not misled by the inflow of short-term funds to the United States and the related strength of the dollar in the exchange markets. It is plain that our underlying balance of payments remains unsatisfactory, and improvement is a basic policy concern.

The primary source of the difficulty has been an erosion in our trade position over the course of several years. This, in turn, has been in good part another symptom of the inflationary strains.

As recently as 1964, the United States had a trade surplus of $6½ billion, roughly 1 percent of our then gross national product. Our surplus on all goods and services was even larger. Within 5 years, the trade surplus had slipped to under $1 billion, and our entire current surplus on goods and services was only $2 billion.

A current surplus of that size is simply not large enough to provide the transfer of real resources necessary to support over time the propensities of our business to invest overseas or our responsibilities for aid—even taking into account the growing flow of private long-term investment into the United States.

We do not—in our interest or that of the world—seek a solution to that problem by prolonging unnecessarily the direct controls on the outward flow of investment or in restraints on aid. Such restraints are not directed at the root of the problem, and we look toward the day when our position permits them to be further relaxed and dismantled.

Our growing earnings on private foreign investment—now running to $8 billion a year—will give us a head start toward a stronger current surplus. We would also, as security permits, welcome a reduction in the military burdens on our balance of payments, swollen by the Vietnam War. But the heart of our long-term strategy will need to be restoration of a large trade surplus.

We are, of course, deeply concerned that, inadvertently or otherwise, our exporters are sometimes placed at a disadvantage vis-a-vis foreign producers through differences in tax treatment, access to export credits, or trade restrictions. We will be working to remove those impediments and to equalize competitive conditions.

But we also recognize there are no shortcuts. The only solid foundation for a successful trade effort must be sustained, effective economic performances over a period of years at home.

I am not discouraged by the prospects. Historically, the performance of the American economy in terms of internal price stability, even after allowing for the inflation of recent years, compares favorably with other industrialized countries. Even during the past 5 years, our export growth has been remarkably

steady after allowing for a contraction in important markets for our agricultural goods. Paralleling the experience of other countries, the effects of overheating have been most evident on the import side—and it is here that we should benefit most from the ending of excessive demand pressures.

Following an earlier bout with inflation, we managed to increase our trade surplus by almost $6 billion in 5 years. To be sure, world conditions were then favorable for our trade, and our own economy was not working to full capacity. But, in the much larger world economy of the 1970's, I believe that a substantial trade surplus can be restored as the cornerstone of our balance of payments.

In the shorter run, I believe we must be prepared to see considerable swings in our payments position. The situation already appears to have changed markedly from last year. As a byproduct of the relaxation of money market pressures in the United States, our banks have repaid some of the short-term foreign indebtedness incurred last year. The result is that, without any deterioration in our basic position—indeed, with some signs that our trade surplus is again growing—our official settlements accounts, at least temporarily, have turned toward a sizable deficit following the surpluses of recent years.

In these circumstances, a short-run shift from surplus to deficit is not alarming. Some of it merely reflects the reflux of extraordinary yearend inflows. The relaxation of money market pressures is no doubt welcome in some countries abroad, as well as in the United States. The principal official recipients of dollars in recent months appear to have been the United Kingdom and France. Those countries, in turn, repaid substantial amounts of debt, in large part to the United States. As a consequence, these months of sizable deficit have probably added little to the sum of foreign official dollar holdings.

Nevertheless, these large shifts of liquid funds do point up a much broader question for the international financial system. Such volatility is not confined entirely to short term funds, and certainly not to trans-Atlantic crossings. Recent experience is replete with examples of massive capital flows across national borders, sometimes for speculative reasons, but also in response to more normal market incentives.

The reasons are fundamental. National financial markets have grown both larger and more integrated. Transportation and communications are speedy and sure. Indeed, it is at last as easy—and probably substantially easier—for a New York bank to deal with its branch or correspondent in London today than it would have been for the same bank to deal with its Chicago or St. Louis correspondent 20 years ago.

The growth in the number of U.S. banks with offices in Brussels is one reflection of a worldwide phenomenon. The number of branches and subsidiaries throughout the world of such foreign banks has reached some 400—quadrupling in the past 15 years. There are about 100 offices of foreign banks in the United States. The rise of multinational corporations, with vast amounts of liquid funds at their disposal and close banking contacts in a variety of key markets, is another dimension. American-based companies alone now have some $50 billion of overseas assets.

Large and closely integrated markets mean that funds will move quickly and in volume in response to relatively small incentives. Sometimes these international shifts will help support domestic or balance-of-payments objectives; but often they will appear to be working at cross-purposes with national policies. Thus, questions are posed, both for the independence of national policies and for the international monetary system.

You will note that I have managed to talk about international money markets without specifically mentioning the Euro-dollar market. The sheer efficiency of that market probably has contributed to the growth of internationally mobile capital. But it seems to me the current focus on Euro-dollars is misleading to the extent it emphasizes one particular channel. The basic problem is much broader. Even if we could somehow imagine that the Euro-dollar market were swept away, I have no doubt that the ingenuity of bankers and traders would develop other mechanisms so long as the basic convertibility of currencies is maintained.

In concept, we would, of course, try to thwart that response by control. But experience suggests a network of controls could not be spread very far or tightly without impairing the freedom of action for traders and investors that the basic convertibility of currencies is designed to promote. Despite some individual exceptions, the broad tendency of the postwar years has been to move in the

other direction. That seems to me the inherent logic of a multilateral trading and investment world. At the same time, we must be prepared to accept the consequences of that logic:

—One consequence of free and integrated money and capital markets will be further large recurrent short-term swings in internationally mobile capital. It would be neither desirable nor feasible to try to control these flows with offsetting swings in trade or other elements in the current account. Consequently, we must be prepared to view large swings in overall payments positions with some equanimity and be prepared to finance them, whether by reserves or by credit facilities.

—International money markets tend to equalize credit market conditions in different countries, forcing a kind of rough and ready coordination of one element of national economic policies. At the same time, the need for a more thorough-going coordination of policy objectives and instruments becomes more pressing. Otherwise, the source of the imbalance will remain, and the flows will become so large and chronic as to destroy the basis for their financing.

The Common Market countries are in the process of facing up to these questions in the most direct way—as part of a deliberate effort to achieve a closer monetary unity. But, in more general terms, the issues are relevant to the relationships among all industrialized countries.

Considerable progress has already been made on the financing side. There have been basic innovations in developing international reserve and credit facilities, including the decision last year for managed reserve creation through SDR's. With economies and markets growing rapidly, even in this area the job cannot be considered complete.

Nevertheless, the problems are still more difficult in the area of policy coordination. Here, it is less a question of new techniques than the delicate problem of reconciling external needs with domestic objectives and the retention of freedom of action internally. Answers suitable within a relatively cohesive and limited group, such as the Common Market, cannot necessarily be applied beyond that group. Yet, the need plainly extends beyond such groups.

I have no desire to minimize the efforts of the past decade to achieve a better reconciliation of policies internationally. I spend a good deal of my own time in meetings aimed precisely at that problem. But this experience also illustrates the inherent difficulties of achieving better coordination given the differing economic circumstances and structures, and domestic policy objectives of individual countries.

It is precisely these difficulties that have raised the question whether a limited degree of greater flexibility in exchange rates might not provide a means for better reconciling the desired independence of national policies with the broader stability of the international financial system as a whole.

I would emphasize the basic premises on which international discussions of this matter are proceeding. We are considering evolution, not revolution, within the basic elements of the Bretton Woods system. Specifically, discrete changes in exchange parities would remain the rare exception for industrialized countries and not the rule. Exchange rate decisions would continue to be taken at the initiative of individual countries. They would also remain matters for international consideration, and thus should fall within accepted "rules of the game." No formulas could replace the decisionmaking process, nor are nations willing to leave their exchange rates entirely to the market processes—or establish a band so wide around a nominal parity that many of the elements of a system of freely floating rates would exist.

Those fundamental points are not at issue. But, in the light of experience, we cannot escape the need to consider the usefulness of some changes in present arrangements and practices. For instance, some countries might find a band moderately wider than the 2 percent range now specified by the Articles of Agreement of the International Monetary Fund a helpful dampening influence on international capital flows, both by increasing the uncertainty for the speculator and by affording a greater degree of maneuverability for the authorities.

Perhaps more important is the question of whether a series of very small changes in parity, within accepted limits, might in specific instances help some countries, consistent with internal goals, to maintain a better equilibrium in their basic external payments position over time. The effort would be to avoid the disturbance associated with delayed and sizable parity changes in response

to a large, accumulated disequilibrium. If so, can criteria be developed that help to point to the appropriate timing and use of such flexibility?

Finally, some have urged more willingness to experiment with methods of moving from one parity to another in those instances when a sizable change may become necessary. The German experience last year with a transitional float points in this direction.

I do not detect any clear consensus on these points internationally. But neither do I believe these are questions that can be easily dismissed, in the light of the experience of the late 1960's. I am glad they are under discussion now. It would be a great mistake, in my judgment, if, during this period of calm in international financial markets, we fail to take advantage of the time available to adapt the system to foreseeable needs.

I recognize that there is the feeling of some within the Common Market that more rigidity in rates, rather than less, might foster its own goals. That is the judgment only the member nations can make. Nevertheless, however the question is resolved for relationships within the market, the broader issue cannot be dismissed.

Thus, we must seek ways of reconciling the needs of particular countries, or groups of countries, with the needs of the system as a whole. The first prerequisite is to remain in close touch, and not freeze positions, before there is a chance to test ideas fully in broader international forums.

Meanwhile, the main responsibility of the United States is plain enough. We must not be diverted from the goal of restoring reasonable price stability, consistent with orderly economic expansion. That is, of course, in our domestic interest. It is also the best possible assurance of international financial stability.

Exhibit 51.—Remarks by Assistant Secretary Petty, May 28, 1970, before the Conference on Economic Growth, sponsored by the Toronto Stock Exchange, Toronto, Canada, on the World, North America and Canada

Introduction

In view of the course of stock market prices around the world these past few weeks, I am sure you understand that it is with some relief that my assignment is to speak about North America in the context of longer term economic factors.

In preparing these remarks, I have taken to heart that over the years discussions across our long border have been noted for their candor. I will not deviate from this tradition. However, I will try to avoid those aspects of this same tradition which have contributed to misunderstandings—however candid the remarks may have been.

There are several recurrent themes which can be traced back through the history of Canadian-American intercourse. I have three in particular in mind. The tariff issue has had high and low protagonists both north and south. Increased commercial traffic has stirred ambitions on one side of the border and fears of political annexation on the other. A third theme was the conflicting Canadian commitment between Old World ties and New World realities, a fear that reciprocity and trade with the United States involved disloyalty to the European ties.

Fortunately, the 1970's can be faced with these issues resolved.

We have come a long way from the days when tariff levels were the subject of shouts across the table—with advocates of each extreme well represented on either side. Today, Canada is a leader in the liberal trade movement and can be counted on to move progressively with others toward further multilateral reductions in barriers to trade. The United States, too, is determined to continue its liberal trade posture and participate in the reduction of these barriers around the world.

Next, the political annexation issue is dead and forgotten. If it isn't, it should be. The 1911 Canadian election results killed it; although, some might say the body was not finally put to rest until the mid-1940's. Whichever, we are now able to talk about and work toward the more efficient development of our economies without being concerned over the motives of the participants. It is no longer necessary to impute political ambitions into an examination of what is best for our economies and our people.

Finally, the old dichotomy between Caandian trade with the United States and allegiance to the Old World is resolved. The issues are now understood to be unrelated. History shows this theme to have been expressed in terms of which flag flies at the head of the mast: the "Union Jack or Ole Glory?" Well, the Maple Leaf is up there where it belongs.

True, new issues have replaced the old ones. Vestiges of the past remain too. But the dominant characteristic of Canada today is her self-confidence. This augurs well for tomorrow. With this maturity will come a better understanding of our respective places in the hemisphere. It should provide the basis to resolve common problems to our mutual benefit.

With that brief treatment of the past and before moving on to the issues of today we should note long term trends in the world economic order. These developments can then be related to our North American continent.

Evolution of the world economic order

The recent post World War II years have seen the free world economies surge in international investment and trade. The achievement of convertibility by many industrial countries, the improved liquidity of the international monetary system, and progress in the adjustment of balance-of-payments positions has made this investment and this transfer of resources possible. Economies and people have prospered.

Commencing with the achievement of foreign exchange convertibility in the late 1950's the industrial economies of the world accelerated their trade with one another as well as their investment across national borders. This brought about large movements of capital and the need to settle imbalances between nations. Responding to this need the liquidity to finance these capital flows has been substantially increased through the expansion of quotas in the International Monetary Fund, supplemented by the General Arrangements to Borrow, and Central Bank swap facilities. Significantly, quotas have been reinforced by the development of a new supplementary reserve asset, Special Drawing Rights, now created and distributed annually.

The facility with which imbalances between nations are adjusted, however, has a less even record of successes. Increased liquidity only provides additional time. But time and restraints on internal demand may not be all that is required and, therefore, it is the balance-of-payments adjustment process which is now the subject of discussion in international monetary circles.

We have reached the point where international financial markets, international banking, and multinational companies, and other factors tend to equalize credit market conditions in different countries, consequently requiring some coordination of one element of national economic policies. This involves, however, a delicate problem of how to reconcile external needs with domestic objectives. To avoid protracted payments disequilibrium, how can we achieve better coordination when countries face different economic circumstances and structures and there is no uniform ordering of priorities?

The stresses to which the international monetary system was subjected in 1968 and 1969 have led to discussions, now going on in the International Monetary Fund, concerning proposals for some evolutionary changes in the procedures and attitudes with respect to exchange rates. The founders of the Bretton Woods system did not have in mind the magnitude and volatility of international movements of capital that take place in today's world. As Secretary Kennedy stated recently:

"All nations need to have the capacity to deal in an orderly way with wide swings in volatile elements in their international accounts. All will benefit if we can find ways to dampen incentives to speculation, and make exchange rate adjustments more smoothly and in more timely fashion when they become necessary."

What is under examination in the Fund is nothing revolutionary; it is evolutionary within the basic principles of the Bretton Woods system. Discrete changes in exchange rates would be exceptional for industrialized countries. Moreover, exchange rate decisions would continue as in the past to be made at the initiative of the country concerned. Also as in the past, they would be matters for international consideration and should fall within internationally accepted "rules of the game."

Within these parameters the Fund is examining proposals for wider bands, moving parities, and also transitional exchange adjustments. The latter would

allow for some modest experimentation when moving from one parity to another, as in the recent German experience. The examination in the Fund seeks to determine whether any of these techniques would achieve a broader stability of the international financial system as a whole, while providing some better reconciliation of this objective with the desired independence of national policies.

Whatever results from the examination will at most involve a continued orderly evolution in the monetary system. We do not need more but we would not want less.

Interrelationship of national economies

Evolution in the international monetary system has had its counterpart in national economies. The growth of trade and investment, accelerated by convertibility, has helped create a marked interrelationship of national economies that will continue and may accelerate in the future. This fundamental economic fact is reinforced by political, transportation, and communications achievements. These achievements create an international awareness in all of the people of the world. People now relate internationally as well as nationally. This characteristic of today's world has implications that affect national and corporate life dramatically.

Look, if you will, at one aspect of this economic interrelationship: technology and its present transfer internationally. At the time of Adam Smith, cotton spinning machinery was virtually a British monopoly, the preservation of which was anxiously, and for a period of years effectively, pursued. The plans are said to have moved to the United States finally in the brain of Samuel Slater. In due course, the machinery was duplicated over here and then reproduced and improved upon. But consider the number of years it took. The technological advantage achieved and preserved by British industry brought with it an economic monopoly good for decades.

This is not the story today.

Licensing agreements covering existing products and processes are signed daily. What is more, most of these agreements not only cover proven technological achievements but they guarantee the availability of new technology even before it is created and before one knows exactly what it is.

The development of technology and its transfer does not stop there: countries admitting foreign investment frequently seek applied research to be undertaken within their own borders and often pure research as well. In fact, the usual wrinkle in licensing agreements is to provide reciprocal features so the parent company can obtain technological advantages which foreign subsidiary research facilities are now increasingly creating.

To a country, and to one involved in long range economic considerations, the preservation of comparative advantage through a significant and natural lag in technology transfers can no longer be looked upon as a sustaining feature of a country's payments position.

Because this technological transfer is made through licensing arrangements between affiliated and unaffiliated companies alike, and because scientific and production interchange and managerial relationships are all elements of licensing arrangements, this development is fundamental. It is also representative of basic integrative forces in the world's economy.

The Euro-dollar market can be cited as another illustration of the interrelationship of economic forces. Whatever annoyance the Euro-dollar market may provide to financial officials seeking to supervise money supply and credit growth, one cannot deny that the very existence of the market, its size, its flexibility, its durability, and its availability to all comers, betokens the interrelationship of our capital markets. For the world financial community it could be likened to the sole water fountain in the peasant village, providing all ladies the chance to partake commonly.

These illustrations demonstrate the remarkable commercial and financial developments of recent years which require a reordering of our traditional concepts. Measuring achievements by the speed of light, not the speed of sound, introduces a whole new theory of relativity: with the jet replacing the sail, man achieves the moon by design; he does not find a continent by accident.

In my mind the most interesting feature of the growing interrelationships in financial and commercial matters is that this intercourse proceeds without a corresponding political involvement. This certainly is the lesson of the 1960's. Commercial activities have intensified but political arrangements have been

affected only when there have been other, noneconomic motivations. Indeed, the United Kingdom's decision to seek membership in the Common Market is not evidence of the influence of an economic imperative; the motivating factor there is primarily political. I believe the reason behind this lesson is simple. Economic strength is enhanced through expanded reciprocal trade and investment. Increased economic strength permits greater political independence. Whether or not an economic interrelationship is translated into movements toward political integration is primarily a function of noneconomic considerations.

It is interesting to look upon postwar economic developments in Canada in this light.

Canada and an interrelated world

How does Canada's position compare with other economies? I think what is most significant is that through the fruits of Canada's own labor she has achieved new balance in the form of her trade and substantial industrial capacity here within her borders. The image of this great land "being hewers of wood and drawers of water" is just out of date. Today, over one quarter of the labor force is employed in the manufacturing sector—a fact explaining why automotive products are fast becoming Canada's largest export. The labor force proportion in the United States is only a couple of percentage points higher than that in Canada.

I noted with interest the Economic Council of Canada's Sixth Annual Review which looked ahead to the middle of the decade. The Council expects exports of "highly manufactured" products to triple between 1967 and 1975. This would be on top of a tenfold increase during the previous decade. Over 40 percent of Canada's total exports are expected then to consist of these highly manufactured products. Their export value is expected to rise to 10 percent of GNP by 1975, compared with only 1 percent 10 years to 15 years ago.

The benefits of the increasing economic interrelationship of the world have clearly fallen to Canada: Canada's trade with the world—and particularly with the United States—has grown more rapidly than her own economy. As a result Canadian export trade as a percentage of GNP has increased from 18 percent to 24 percent over the past decade.

Developments in commercial relations have their parallel in the financial field. Links with external markets are important to Canadian borrowers. It seems that last year provinces and municipalities relied almost entirely on foreign markets to meet their borrowing requirements (apart from pension plan funds). Canadian corporations also rely heavily on nonresidents to provide both long term and short term funds. Yet the flow is not all one way. Canada is investing and lending abroad as well as at home.

Do not accept just my judgment of Canada's achievements. The International Monetary Fund reviews the economic progress of its members in connection with quota reviews conducted every 5 years. This permits an adjustment of quotas in order to reflect relative changes in economies when economic performance is above average. As a result of this review last year—concurred in by over 100 countries—Canada's quota was raised by almost 50 percent; the average increase for members was only 35 percent.

These figures are impressive and I believe they have considerable significance. They are significant because they respond to those who wonder whether Canada can increase economic interrelationships with the rest of the world—including the United States—without assuming unacceptable risks to her national identity. Perhaps basic distrusts dating back to the old and now dead annexation issue prompt the question. Nevertheless, the question should be answered as well as asked. The best answer is that Canada already has increased her relationship with other economies and particularly with the United States and she has done this without any sacrifice whatever to her national identity. Indeed, it seems to me that as this interrelationship has increased Canadian economic prowess has been enhanced and with that, her self-confidence, her political position and her national identity.

If you assume, as I do, that economic relations between Canada and the United States cannot avoid the increased interrelationship other economies of the world are experiencing—that is, cannot without depriving the people of substantial benefits—then the issue which faces us is not whether, but how, within the framework of our existing political predilections, we can fashion our economic involvement more efficiently. Perhaps I am posing a question that has no single

answer. More likely, it involves a never-ending examination of ourselves and of our role in a changing world.

One of the economic constants in this changing world of ours is that our financial systems and considerable segments of our economy are already heavily interrelated. They have become so primarily because sound economic forces have made them so. We must recognize that the course of Canadian economic development is not unrelated to the course of the U.S. economy. The United States—particularly some border areas—is influenced by the Canadian economy too. The Canadian fiscal and monetary policies steer the Canadian economy, but it seems to me that Canada and the United States travel down much the same economic road more often in step than not. In this sense, our interrelationship is not unique. There are many countries in Europe about which the same could be said. To my mind, this just emphasizes the basic principle which must be involved in any examination of our relationship.

The governing principle has to be that a balanced economic arrangement must be reached if the interrelationship is to prove viable. In times past, long term economic relationships have survived in an unbalanced form. We have seen extractive industries involving production in one country with fabrication and processing in another. A viable relationship cannot be built upon those terms today. Old relationships of that type are bound to change.

We have a recent example in the United States, the outcome of which has not been particularly happy. I refer to our sale of unprocessed logs from the Pacific Northwest to Japan. Our efforts to permit U.S. mills to fabricate board and sell abroad encountered restrictive import and buying practices. The ability to deliver lumber at substantially lower prices was not the prevailing consideration. Our Congress took the matter into its own hands and imposed export controls on raw logs. This is an example of legislative action responding to understandable frustrations in the private sector. British Columbia avoids a problem of this particular type by concentrating processing in the Province. We in the United States understand the issue too: while we are anxious to develop and export the resources of Alaska, we cannot forget the need to create jobs in that area. But balanced arrangements are not easy to achieve. They require a willingness to accept the responsibilities of the multilateral world—in order to avoid unsustainable situations of one party enjoying substantial benefits with disproportionately few costs.

The principle of balance in economic relations must recognize that a demand without a related supply is unsatisfactory just as a supply without a related demand is unsatisfactory. The seller needs the buyer and the buyer needs the seller. Once the tactic of bargaining for maximum advantage is set aside for more realistic and enduring arrangements, then economic accords can be reached. This principle has not always guided U.S. economic negotiations in the postwar years but I doubt very much if it will not be the guiding principle in the future. For those who doubt this last point, let me remind you that in the early days when the United States gave foreign aid, we structured it in such a way that procurement took place outside the United States. Of course, it has been some time since we have done that and we have passed through the phase of restricting procurement to the United States. Today, however, we are prepared to negotiate multilaterally the untying of bilateral aid on the condition that all other donor countries also subject themselves to the identical disciplines of worldwide competitive bidding. A unilateral gesture in this direction by the United States would not satisfy the principle of balance.

Canada has benefited from this earlier attitude. For example, some years ago the U.S. Government gave a 50-percent preference to domestic suppliers of defense equipment. We extended this same preference to Canadian suppliers expecting to create a balance between the two countries in defense procurement. It has not worked out that way. There are other examples, in the financial field, for instance.

But the point of my comments is not to review the past but to express what I view will have to be the guiding principle for the future. You are concerned about jobs in your country. We are concerned about jobs in ours too. Each of us is concerned about national feelings and each of us is anxious to enhance the economic well-being of our people. Balanced arrangements between us can help us both to achieve this objective. No arrangement other than one which balances the benefits and costs satisfies this common and minimum objective.

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What are some of the elements we should keep in mind as we look ahead to our hope for mutually beneficial arrangements in this decade?

It might be a familiar outline to this audience if, in responding to this question, I were to speak in terms of supply, demand, and the role of government.

Governments—all of them—will be occupied throughout this decade with calls upon their financial resources far in excess of revenues. Each will be greatly concerned with the problem of setting priorities and rationing funds. The calls upon these resources will grow geometrically because social capital investment, not normally associated with private enterprise endeavors, will rank higher on our list of priorities. Established governmental programs will be reexamined to see if they are relevant to the present day. This process can only be healthy for a country.

The economic planners in government will continue to seek the appropriate relationship between employment, growth, and reasonable price stability. We are all becoming a bit more humble about the ability to call the shots exactly on economies, large or small. Statistical information lags, information dissemination, as well as differences and errors in judgment, compound the problem. The 1970's will offer fewer perfect batting averages than we dream about, but I suspect achievements high above what our critics predict. This problem of balancing priorities within a national economy will be experienced in all of the countries of the world. With the differing relative values nations assign at a given time to the employment, growth, and stability equation, imbalances in international payments must be expected as a natural function of the system. Our understanding of this, our institutional framework for dealing with it, and perhaps an increased readiness to take necessary action in a timely manner, should make the 1970's less accident prone than the end of the 1960's.

Looking ahead, the supply factor in the economic equation will play "follow the leader." The leader will be demand. In a predominantly buyers' market situation, it will not be the strain of plant capacity or inadequacy of available services which will dominate investment decisions and directors' meetings.

Demand, especially the changing nature of demand, is the economic phenomenon which we are now experiencing.

I come North from a troubled country. The issues over which my country is agonizing are fundamental issues. They are posed in moral terms. Some are posed in eternal terms. America is going through a reexamination of its values and a self-appraisal of its conscience. The gyrations of the process may distract many, and many especially in Canada. But I for one am heartened that our society and our political system are viable enough to sustain, indeed benefit from just this type of concern. How could one not recognize the positive elements in this turmoil? The debate on Vietnam is not whether we get out, but how. The concern with our universities is not one of whether education is desirable but whether the school programs are relevant to needs students now feel. The concern for minorities is not whether the Nation is moving in the direction of increasing their share of our society but whether we can move faster. The issue on communications is whether balanced reporting is provided. The concern over television is about the impact of violent shows upon our children, and whether there are enough meaningful shows for adults.

The time to worry is when people are afraid to ask these questions. The time to worry is when there is no official concern or response.

This mood and this concern in the United States is not peculiar to my country. The value and the benefits of reexamination are known to many peoples.

In economic terms, this new element in demand means that an increasing number of people refuse to equate change with progress. These new values mean that the consumer will not seek "more" but "better." Increasingly, the public is not concerned with "having" but with his own "state of being." The search for a better quality life—an age-long quest of the few—is becoming a dedication of the many.

I believe we can now look back upon the long developing and supremely important preoccupation with population growth as an early expression of the search for a better life. With less need to satisfy growing numbers, greater effort can be directed towards improving the quality of life.

Environmental needs will have to be satisfied at an accelerated rate and I would be surprised if corporate management does not respond to these factors. Not only as businessmen but as consumers themselves they will see the broad consensus that is developing for a better quality of life and will translate it

meaningfully into product design and service delivery. The demand ingredient is changing and with this change the definition of optimum growth may take on a new dimension. It does not seem to me that a country will sacrifice in the future human values and social obligations in a one-tracked pursuit of growth as measured in the traditional quantitative manner.

Perhaps in no better place than in our common aspirations for an improved quality of life can Canada and the United States find new understanding. The interrelation of our life here on the North American continent is nowhere more evident than in our environment. Rivers that start in Canada end in the United States. Air that is polluted in the United States travels North. Surely anything but a common approach to these basic issues shortchanges our people. In this area, as we have found in the financial area, we must work together. So too, in the commercial area will the 1970's find the United States and Canada searching for arrangements involving balanced benefits, responsive to our respective national needs.

Exhibit 52.—Statement of the U.S. Treasury, August 8, 1969, concerning the devaluation of the French franc

The action of the Government of France in reducing the external value of the franc represents an adjustment to economic developments in France during the past year. The amount of devaluation—11.1 percent—is the amount discussed when finance ministers of the Group of 10 countries met in Bonn last November. This adjustment can be accommodated within the framework of existing exchange rates.

This action will not affect the value of the U.S. dollar.

Exhibit 53.—Statement of the U.S. Treasury, October 24, 1969, on revaluation of the German mark

The Treasury welcomes the announcement by the German authorities of their decision to establish a new par value for the mark at $0.2732, 9.29 percent above their previously established par. Today's action by the German government should resolve in a constructive manner the principal cause of uncertainty that has existed in the exchange markets.

Exhibit 54.—Press release, December 24, 1969, announcing extension of the exchange stabilization agreement between the United States and Mexico

Secretary of the Treasury David M. Kennedy and the Ambassador of Mexico, Hugo B. Margain, have exchanged letters extending the $100,000,000 Exchange Stabilization Agreement between the United States Treasury, the Bank of Mexico, and the Government of Mexico signed on December 21, 1967, for a 2-year period ending December 31, 1971.

This exchange of letters represents a continuation of the stabilization arrangements between the United States and Mexico which have been in effect since 1941, and have proved beneficial to the financial relationships between the two countries.

Exhibit 55.—Press release, May 15, 1970, announcing the U.S. purchase of $150 million in foreign currencies from the International Monetary Fund and the sale of $20 million of Special Drawing Rights

The Treasury Department announced today that the United States is purchasing $150 million in foreign currencies from the International Monetary Fund, consisting of the equivalent of $90 million in Belgian francs and $60 million in Netherlands guilders. In addition, the United States is selling $10 million of Special Drawing Rights (SDR) each to Belgium and the Netherlands.

These transactions have been undertaken for the purpose of completing the repayment of short-term swap drawings made by the Federal Reserve System in 1969 and early 1970.

The $150 million IMF purchase represents the use of a small amount of the net creditor position in the Fund which the United States has accumulated in substantial size since the end of 1968. Following this drawing, the U.S. reserve position in the IMF will be $2,360 million, including $1,070 million in its creditor or "super gold tranche" position.

The sale of SDR, the first such use by the United States, has been undertaken under provisions of the Fund Agreement which enable a country to use its SDR to purchase its own currency directly from other countries with the agreement of the latter. Following these transactions, U.S. holdings of SDR will be $915 million, including the $867 million allocated to the United States on January 1, 1970, and $48 million acquired subsequently in international transactions.

Exhibit 56.—Other Treasury testimony published in hearings before congressional committees, July 1, 1969—June 30, 1970

Secretary Kennedy

Statement published in hearings before the Committee on Foreign Relations, U.S. Senate, 91st Congress, 2d session, on behalf of legislation relating to the International Monetary Fund, the International Bank for Reconstruction and Development, and the Asian Development Bank, May 6, 1970, pages 9–29.

Under Secretary for Monetary Affairs Volcker

Statement published in hearing before the Subcommittee on International Finance of the Committee on Banking and Currency, House of Representatives, 91st Congress, first session, on recent international financial and monetary development, August 6, 1969, pages 2–26.

No. 217, Revision 1, June 30, 1970—Estabishment of Consolidated Federal Law Enforcement Training Center

1. *Authority and Establishment*

By virtue of the authority vested in me as Secretary of the Treasury, including the authority in the Government Employees Training Act, 5 U.S.C. 4101–4118, as implemented by Executive Order 11348 of April 20, 1967, and Reorganization Plan No. 26 of 1950, I hereby reaffirm the establishment of the Consolidated Federal Law Enforcement Training Center as an organizational entity within the Department of the Treasury to function as an interagency training facility, and place it under the supervision of the Assistant Secretary (Enforcement and Operations).

2. *Center Functions*

The Consolidated Federal Law Enforcement Training Center shall:

a. Serve as an interagency law enforcement training center.

b. Provide necessary facilities, equipment, and support services for conducting recruit, advanced, specialized, and refresher law enforcement training for personnel of participating Federal agencies, including:

(1) Budgeting for and administering funds for construction, maintenance and operation of the Center;

(2) Housing, feeding, and providing recreation programs and administrative services for students.

c. Provide support, administrative, and educational personnel for common training courses to:

(1) Consolidate requirements of participating agencies and develop proposed curricula;

(2) Develop content and teaching techniques for courses:

(3) Instruct and evaluate students.

d. As an interagency training facility, provide training to other eligible persons.

e. Administer the current Treasury Law Enforcement School for as long as that school is found necessary.

3. *Responsibilities of the Director*

Under the supervision of the Assistant Secretary (Enforcement and Operations) the Director of the Center shall:

a. Exercise responsibilities prerequisite to initiating full Center operations at the earliest date, including the development of detailed plans within the guidelines established by the Congress for the design and construction of Center facilities.

b. Be responsible for the effective and efficient performance of the functions of the Center, including.

(1) Financial management, including planning, programming and budgeting for the Center, and fiscal operations;

(2) Administrative managment, including staffing and managerial services;

(3) Development of the internal organization of the Center, including the designation of subordinate divisions.

4. *Authority of the Director*

a. The Director of the Center shall have all the authority which has been delegated to heads of bureaus by Treasury orders and other issuances of the Office of the Secretary and which is necessary for the performance of his responsibilities, and the authority to redelegate such authority.

b. In the absence of the Director, the Deputy Director shall have the authority of the Director.

5. *Center Operations*

The Department of the Treasury is the Executive Agency for operating the Center and serves as the established point of authority for implementation of Federal regulations and policies having government-wide application. Within this concept:

a. All employees of the Center staff will be appointed under the authority of the Secretary of the Treasury and shall be employees of the Department of the Treasury;

b. Center operations will be financed by a separate appropriation to the Department of the Treasury to be used to pay costs of salaries, equipment, and other expenses in connection with

(1) Administration.

(2) Maintenance and operation of the physical plant (including dormitories and dining facilities).

(3) Conducting common training courses.

(4) Operation of the laboratories, library, and other support services.

(5) Research conducted in law enforcement curriculum and training methods.

c. The Office of the Secretary will provide staff support and assistance, related to:

(1) Organizational structure, management systems, and administrative procedures;

(2) Staffing patterns, manpower utilization and control, and personnel administration;

(3) Design, construction, and maintenance of facilities; and

(4) Financial management systems and budgetary processes, including planning, programming and budgeting.

6. *Transfer of facilities*

The personnel, equipment, records, supplies, and any remaining funds heretofore used or available for use in the establishment of the Center and in the conduct of the Treasury Law Enforcement School are transferred to the Center, without loss of rights or status possessed by such personnel.

7. *Effect on prior Treasury Orders*

This order supersedes Treasury Department Order No. 217 of March 2, 1970, which is hereby rescinded. The Office of Law Enforcement Training established by Treasury Order 147 (Revision 3) is hereby abolished.

Effective date: This order is effective as of July 1, 1970.

DAVID M. KENNEDY,
Secretary of the Treasury.

Gold and Silver Operations

Exhibit 57.—Statement by General Counsel Eggers, October 1, 1969, before the House Banking and Currency Committee, on H.R. 13252, the coinage act of 1969

I welcome this opportunity to urge the prompt enactment of H.R. 13252, the Coinage Act of 1969. Before setting forth the reasons why the Treasury Department considers the prompt enactment of this legislation to be strongly in the public interest let me briefly review the procedures under which the Administration's coinage legislation was developed.

In March of this year Secretary Kennedy established a special Task Force of Treasury officials to review all major silver and coinage issues and recommend appropriate administrative actions and where necessary new legislation. I had the honor to act as Chairman of this group. In early May the Task Force completed its study and presented a report to the Secretary outlining its recommendations.

The recommended program was then reviewed by and received the full approval of the Joint Commission on the Coinage, a nonpartisan body established by law to advise the President and the Congress on silver and coinage matters. As you know, this 24-member Commission includes 12 Members of Congress, the Chairman, and ranking minority member of the Senate Banking and Currency Committee, four members of the Senate appointed by the President of the Senate, the Chairman and ranking minority member of the House Banking and Currency Committee, and four members of the House of Representatives appointed by the Speaker of the House of Representatives, four members from the executive branch—the Secretaries of the Treasury and Commerce, the Director of the Budget, and the Director of the Mint, and eight public members appointed by the President.

The administrative actions endorsed by the Commission were immediately put into effect by Secretary Kennedy. These were a lifting of the coin melting ban and a reduction in the weekly sale of silver through the GSA from 2 million ounces to 1½ million ounces. The legislation endorsed by the Commission is now before your Committee as H.R. 13252.

Under provisions of this legislation the Secretary of the Treasury would be granted authority to:

(1) Mint a nonsilver cupro-nickel half dollar;

(2) Mint a nonsilver cupro-nickel dollar coin; and

(3) Transfer the approximately 3 million rare silver dollars now held in the Treasury to the Administrator of General Services for sale to the public in the manner recommended by the Joint Commission on the Coinage.

The Administration's request for authority to mint a nonsilver half dollar is based on the conclusion that there is an important commercial need for an adequately circulating half dollar that can only be met through the minting of a nonsilver coin. I think the most convincing argument for granting the Treasury this new authority is the fact that only a very small percentage of roughly 1¼ billion silver half dollars (both 40 percent and 90 percent silver) minted since 1963 are actually circulating.

Well over 200 million ounces of silver have already been used to mint this coin. This is equal to the total amount of silver mined in the United States since 1963. As Secretary Kennedy pointed out in his recent statement to the Coinage Commission the 40-percent silver half dollar, on our past experience, is simply a losing proposition. The realistic choice we face is either to abandon this coin altogether or mint it of the same cupro-nickel clad material now used in dimes and quarters. We strongly recommend the latter alternative.

A second major provision of the Administration's coinage bill would authorize the Secretary of the Treasury to mint cupro-nickel dollar coins of the same clad material now used in dimes and quarters. Before making this recommendation the Treasury gave very careful consideration to the composition of the new dollar coin which we intend will bear a portrait of President Dwight D. Eisenhower. The principal issue was whether the coin should contain silver or be minted of the cupro-nickel clad material used in other coins. Here are the major reasons why we concluded that a cupro-nickel dollar coin is strongly in the public interest.

1. *Only a nonsilver dollar coin would actually circulate to meet commercial*

needs, which of course, is the basic purpose of coinage production.—The experience with the Kennedy half dollar indicates conclusively that silver coins will not freely circulate in significant quantity. The Treasury Task Force on Silver Policy and the Joint Coinage Commission both concluded that there is a commercial need for a circulating dollar coin that can only be met by a nonsilver coin.

2. *The nonsilver dollar coin would mean a far greater monetary return to the Federal Government than would be realized by a 40-percent silver coin.*—One bill now before the Congress which would authorize the minting of 300 million 40-percent silver dollar coins over a three-year period would mean a total return through seigniorage of roughly $160 million. By contrast, the monetary gain by producing the same number of nonsilver dollar coins under the Administration bill would be about $290 million. In addition, the Treasury could obtain as much as $50 million more in revenue from the continued sale of silver to the GSA, or a total of well over $300 million.

Moreover, if the cupro-nickel dollar coin were authorized the Treasury would not be limited to minting only 300 million of these coins. When production resources are in full gear that number could be minted in a single year, depending upon public demand. The total seigniorage therefore, over a 3-year period would unquestionably be far greater than if the dollar coin contained silver. And I might add that the seigniorage return to the Government reduces its public borrowing needs by an equivalent amount.

However, it should be emphasized that the major purpose of our coinage system is not to maximize seigniorage but to meet the country's need for an adequate supply of circulating coins. Seigniorage is simply the difference between the face value of a coin and the cost of its component materials. Including silver in a coin reduces seigniorage since silver is obviously more costly than copper or nickel. Although those who advocate a silver dollar assert that this would be equivalent to selling the silver for $3.16 per ounce it is no more logical to put a sale price on the silver in the coin than it would be to compute a sale price on the copper and nickel in dimes and quarters.

3. *Using our surplus silver for dollar coins would significantly increase our balance-of-payments deficit.*—Current annual domestic silver production is less than 40 million ounces compared with industrial consumption of about 145 million ounces. If weekly GSA silver sales are halted because all our remaining surplus silver is reserved for dollar coins, then silver imports for industrial use will have to increase substantially. We estimate that the resulting adverse effect on the balance of payments in the first year could be as much as $150 million.

4. *Using our surplus silver for dollar coins would mean higher prices for important consumer products.*—Although the Treasury has taken a neutral position with respect to the price of silver, it should be realized that if Treasury silver sales were halted the price of silver would probably rise significantly. The principal industrial uses of silver are for film and electrical products. When the price of silver rose from the fixed $1.29-plus per ounce to over $1.80 an ounce in 1967, the major film producers increased their prices substantially. A further increase in the price of silver would very likely mean higher costs to millions of consumers of film products including X-ray film. Similar effects would be felt by users of batteries and electrical products. It should be realized that the ultimate users of silver include virtually the entire American public.

5. *The Administration bill is consistent with the recommendation made by the Joint Commission on the Coinage.*—The Joint Commission on the Coinage is a nonpartisan body established by law to advise the President and the Congress on major coinage issues. The Commission carefully considered this matter and overwhelmingly recommended the minting of a nonsilver dollar coin. We think the Commission's recommendation is well founded and that legislation authorizing cupro-nickel clad half dollar and dollar coins is in the best interest of the public as a whole. The portrait of President Eisenhower on a dollar coin would include him among the select group of great Americans honored on other circulating coins.

The enactment of H.R. 13252 in addition to providing the economy with needed circulating coinage would also be a major contribution toward alleviating the unstable conditions that have plagued the silver market for over 2 years. The sharp and largely irrational movements in silver prices both up and down have been stimulated by rumors and uncertainties regarding anticipated Gov-

ernment actions. We think the enactment of this bill will end this uncertainty by finally enabling the Treasury to clearly set forth just how much surplus silver it holds and how long and at what rate this silver will continue to be sold through open competitive bids.

As of August 31, 1969, the Treasury stock of silver bullion totaled 85 million ounces. Of this total about 40 million ounces was in a form readily available for market sale. In addition we estimate that the Treasury's inventory of silver in coins that will be melted into bars totals about 60 million ounces, a figure we consider reasonably accurate within a 10 million ounce range. As of now, reflecting estimated changes in September, the Treasury's total stock of silver, including silver coins, is approximately 135 million ounces. This figure is entirely separate from the 165 million ounces of silver already set aside in the defense stockpile.

The enactment of H.R. 13252 would make surplus virtually all of the Treasury's remaining stock of silver except for the relatively small amount that would be required for minting of half dollars in a transition period. We estimate that the readily available silver surplus of about 100 million ounces is adequate to continue sales through the GSA at the current rate through 1970. In this period of adjustment producers and users of silver will have ample opportunity to gear their operations to eventual complete independence from Government sources of supply.

Let me now turn to the third major provision of H.R. 13252 which would authorize the transfer of the approximately 3 million rare silver dollars now held in the Treasury to the Administrator of General Services for sale to the public in the manner recommended by the Joint Commission on the Coinage. The value of these coins varies from month to month but at the present time we estimate that their numismatic value in the market ranges up to about $170 per coin depending upon the year of issue.

Since the summer of 1967 several silver dollar disposal plans have been discussed at length by the Joint Commission on the Coinage. At the July 15, 1968, meeting an interagency Committee with members from the Treasury, the GSA, and the Smithsonian Institution was directed to study all the plans and present for the Commission's consideration, a plan which would (1) insure the public a widespread opportunity to obtain the coins, (2) obtain the maximum return on disposal for the Treasury, and (3) conduct the disposal operation in Government rather than private hands.

The Coinage Commission recommended such a plan, and the Treasury Task Force on Silver and Coinage Policy strongly endorsed the plan under which these remaining rare silver dollars would be disposed of by the General Services Administration through a shelf sale at approximately their current numismatic value.[1] The plan limits sales to any one buyer to one coin of each year of issue, or a maximum of 10 coins. The buyer may tender a bid at a price higher than the posted price, and in the event orders for any one year of issue should exceed the supply, these bids will determine who will get the coins.

The major reasons for recommending your approval to go ahead with this plan are (1) after considerable study of many plans it appears to be the most equitable for both the public and the Government, and meets the requirements set forth by the Commission, (2) it has received much publicity and seems to be acceptable to a majority of the public and the numismatic experts with whom the interagency Committee consulted prior to its recommendation of the plan to the Committee, and (3) the appropriation required by GSA to carry out this plan would be small compared with the probable total receipts to the Treasury.

In summary, the Treasury believes that the prompt enactment of H.R. 13252 would be a major contribution to a more effective coinage system, facilitate an orderly transition of the silver market to complete dependence on private sources of supply, and make it possible for us to pay fitting tribute to a great American.

Exhibit 58.—Remarks by Assistant Secretary Rossides, October 20, 1969, before the 1969 Mining Convention of the American Mining Congress, San Francisco, California, on silver

I should like to express my appreciation to the American Mining Congress and to your Cochairmen, Mr. Strauss and Dr. McLaughlin, for inviting me here to talk about silver. Since the founding of this great organization in 1898 the

[1] Silver Dollar Disposal Plan Fact Sheet, May 20, 1969.

American Mining Congress has worked vigorously for safer and more efficient mining practices as well as playing a prominent role in all the major policy decisions which have kept the Government an active participant in the silver market. The Treasury has always welcomed your advice and now that we are approaching the end of that phase of the long monetary history of silver, I think it appropriate that we again exchange views.

At today's meeting I will present the Treasury's view of an appropriate silver and coinage policy during this sensitive period when the market is making its final adjustment to complete independence from the Government as a buyer or seller of silver.

Historical setting

Before outlining the Treasury's current silver and coinage policy and the decisionmaking process by which it was reached, I would like to very briefly review the events of the past decade. I think this is essential to understanding today's silver issues.

The series of events which will culminate in the final withdrawal of the Government from the silver market began in the late 1950's. At that time the Treasury held huge stocks of silver as a result of heavy purchases to sustain the silver price during the long period when the mines were producing far more silver than could be used for coinage and industrial needs. In December 1959 Treasury silver holdings totaled more than 2 billion ounces, nearly all of which was held as reserve against silver certificates.

About this time two trends of major significance to the future of silver became evident. The first was the rapid acceleration in the demand for coins under the influence of an expanding economy and growing use of vending machines. The second key event was that for the first time in modern history rising industrial demand for silver exceeded current production both on a domestic and a worldwide basis. The growing gap between production and consumption was made up in large part from Treasury stocks of free silver which dropped by about 200 million ounces from April 1959 to November 1961, when sales were suspended.

At the same time the Government faced a rapidly growing need for silver to increase the circulating coinage. Obviously this supply could not come from domestic production which was already inadequate to meet industrial demand. In this situation the only practical way to obtain silver for coinage needs was through the gradual retirement from circulation of silver certificates thereby freeing the silver held as a reserve for these certificates. It was thought at that time that the retirement of silver certificates would make available enough free silver to meet the Treasury's coinage needs for many years into the future.

Unfortunately events did not work out that way. Over the next few years the tremendous production of coins required to keep pace with the increasing demands of the economy cut deeply into the Treasury's silver supply. In 1962 and 1963 nearly 200 million ounces of Treasury silver were used for coinage and the demand was still rising. Moreover, by mid-1963, under pressure of private market forces, the price of silver had risen to its monetary value of $1.29 per ounce. A continued price rise much beyond that point would have made it profitable to melt the subsidiary coins for their silver content and thereby threaten the continued circulation of our silver coinage. To prevent such a crisis the Treasury in July 1963 resumed the open sale of silver at the fixed price of $1.29 per ounce.

Over the next 2 years an adequate volume of silver coinge was maintained in circulation but only at the cost of huge amounts of Treasury silver. In 1964 and 1965 production of silver coins required over 500 million ounces of Treasury silver. During the same period it was necessary to sell an additional 230 million ounces in the open market in order to keep the price at a level which would prevent a wholesale withdrawal of coins from circulation. In short, from 1962 to 1965 the Treasury had to use nearly 970 million ounces of silver in order to maintain an adequate volume of circulating silver coinage. This total was roughly equivalent to 25 years annual mining production in the United States.

By this time it was obvious that the use of silver in United States coinage for very long into the future was no longer possible. Recognizing this, the Congress in 1965 authorized the production of nonsilver dimes and quarters, retaining only the 40-percent silver half dollar as a link to the past.

But the coinage crisis was not over by a long shot. The task now was to produce, during the relatively brief remaining period when it would be possible to

keep an adequate amount of silver coins in circulation, enough cupro-nickel dimes and quarters to meet fully the economy's circulation needs.

To the everlasting credit of the men and women of the Treasury's Bureau of the Mint this race was won, although the finish was very close. By May of 1967, when the soaring demand for purchases of Treasury silver forced the final halt to open market sales at the fixed $1.29 price, enough cupro-nickel coins had been produced to tide us over the crisis.

But again the cost in Treasury silver had been high. In 1966 and 1967 another 100 million ounces of silver was used for the Kennedy half dollar and it was necessary to sell nearly 300 million ounces to maintain the $1.29 price. This brought the total amount of Treasury silver used from 1962 through mid-1967 in the attempt to maintain an adequate circulating silver coinage to approximately 1.3 billion ounces.

In August 1967 the sale of surplus Treasury silver by the GSA through weekly competitive bids was begun and these sales have continued until the present time. Sales under this program to date have totaled some 220 million ounces. To round out this historical resume, just over 100 million ounces of silver were exchanged for silver certificates during the year preceding the redemption cutoff in June 1968.

The Task Force Report

With this as background, let me now turn to the situation faced by this Administration early this year and review with you the process by which we arrived at our current policy position on silver.

In March 1969 Secretary Kennedy established a special task force of Treasury officials to review all major silver and coinage issues and recommend appropriate administrative actions and where necessary new legislation. I was a member of this group.

The Task Force took as its basic premise that a sound silver policy program should facilitate an orderly withdrawal of the Government as a participant in the silver market consistent with the following essential needs: (1) a strong and efficient monetary system, (2) maximum feasible fiscal return to the taxpayers, (3) minimum inflationary impact on consumer prices, and (4) minimum adverse impact on the balance of payments.

The Task Force first gave attention to determining what portion of the Treasury's supply of silver could be considered surplus to the Government's need over the foreseeable future. We concluded that the total amount of silver available to the Treasury in April of this year that was not directly committed for any future need was about 140 million ounces. This figure was over and above the 165 million ounces of silver which by law had been transferred to the strategic stockpile in June 1968.

In early May the Task Force completed its study and presented a report to the Secretary outlining its recommendations. The recommended program was then reviewed by and received the full approval of the Joint Commission on the Coinage, a nonpartisan body established by law to advise the President and the Congress on silver and coinage matters. This 24 member Commission includes 12 Members of Congress, four members from the executive branch, and eight public members appointed by the President.

The administrative actions endorsed by the Commission were immediately put into effect by Secretary Kennedy. These were (1) lifting of the coin melting ban and (2) a reduction of the weekly sales of silver by the GSA from 2 million ounces to 1½ million ounces.

The Treasury's action in lifting the coin melting ban in May of this year was in our judgment a sound one. At that time the coin melting ban no longer served the purpose cited when it was first put into effect in May 1967, and I might add that a ban on melting coins was without precedent in our nation's history. The original purpose of the ban was to keep the silver dimes and quarters circulating during a period in which there was doubt that supplies of clad coins were fully adequate for commercial needs. But by May of this year virtually all the silver coins had disappeared from circulation and the supply of clad coins was fully adequate for commercial needs.

A secondary purpose of the coin melting ban was to enable the Treasury to build up its reserve of silver coins. However, by May of this year the remaining supply of outstanding silver coins was locked up in private hoards and the inflow to the Treasury had run dry. It is interesting to note, by the way, that lifting the

coin melting ban was one of the few issues on which the associations representing both silver users and producers were in accord.

Another important matter to which the Task Force gave careful attention was the question of Treasury silver sales through the General Services Administration. The first consideration was whether the Treasury should continue to sell any silver through the GSA. On this the Task Force recommended that the sale of silver be continued and that it be made clear as nearly as possible how long these sales would be maintained. Let me list a few of the major reasons why this conclusion was reached.

1. The silver being sold is not needed by the Government. The 165 million ounces already transferred to the defense stockpile has been established by the Congress as ample for any future emergency industrial need.

2. The continued sale of silver through the GSA has a favorable effect on the balance of payments. If silver sales were halted, net silver imports over the next year would have to rise by about 75 million ounces. This would increase the balance of payments deficit by perhaps $150 million.

3. Profits on silver sales would add substantially to the Treasury's revenue and since August 4, 1967, this profit has totaled over $100 million.

4. Continuation of Government silver sales would permit the market to adjust in an orderly manner to the inevitable point when the Government must cease to be a supplier, which we now think will be about the end of 1970.

The Task Force then turned to the question of an appropriate rate for sale of the Treasury's silver and concluded that the weekly amount of silver offered through the GSA should be reduced from 2 million ounces to 1½ million ounces. The main justification for this action was the belief that since the Treasury would have to halt sales in less than 2 years, a gradual cutback in the amount offered would help the market make an orderly adjustment to this fact. It was thought preferable to maintain the 1½ million ounce rate rather than add further uncertainty by phasing out sales at gradually reduced levels.

We recognized that if the intent to maintain the 1½ million ounce sales figure were made clear, participants in the silver market—producers, users, and investors—would have full knowledge of the time and extent of Government activity in the market. During this transition period the market would have ample opportunity to make an efficient adjustment to the time when—like other commodities—the price of silver would be determined entirely by private supply and demand. We felt that removal of uncertainty regarding the future of the Government's silver policy would add a stability to the silver market that should be welcomed by both producers and consumers.

The third administrative action taken by the Treasury with the endorsement of the Coinage Commission was to open the weekly GSA sale of silver to all bidders with no restrictions on the use of the silver purchased. Until that time silver sold by the GSA had to be consumed entirely by domestic industry. This restriction on the use of the silver was established during a period in which the prolonged refiners strike had sharply curtailed the domestic supply of industrial silver. In recognition of the temporary nature of this restriction, the Treasury in 1967 had signified its intent to remove it as soon as feasible. In our judgment this action was long overdue.

Legislative program

I would like now to briefly outline the legislative recommendations recommended by the Task Force and which are now under consideration by the Congress. Provisions of this legislation of interest to this group would grant the Secretary of the Treasury authority to mint both a nonsilver cupro-nickel half dollar and a nonsilver cupro-nickel dollar coin.

The Treasury's request for authority to mint a nonsilver half dollar was based on the conclusion that there is an important commercial need for an adequately circulating half dollar that can only be met by minting a nonsilver coin. I think the most convincing argument for granting the Treasury this new authority is the fact that only a very small percentage of the roughly 1¼ billion silver half dollars—both 40-percent and 90-percent silver—minted since 1963 are actually circulating.

Well over 200 million ounces of silver have already been used to mint this coin. This is equal to the total amount of silver mined in the United States since 1963. As Secretary Kennedy pointed out in a statement to the Coinage Commission, the 40-percent silver half dollar on our past experience is simply a losing proposition.

The realistic choice we face is either to abandon this coin altogether or mint it of the same cupro-nickel clad material now used in dimes and quarters. We prefer the latter alternative.

The second major provision of the coinage bill would authorize the Secretary of the Treasury to mint cupro-nickel dollar coins of the same clad material now used in dimes and quarters. Before making this recommendation we gave very careful consideration to the composition of the new dollar coin which would bear a portrait of President Eisenhower. The principal issue was whether the coin should contain silver or be minted of the cupro-nickel clad material used in other coins. This is still an unresolved issue since on last Wednesday the House of Representatives voted for a cupro-nickel dollar coin just a few hours after the Senate voted for a 40-percent silver dollar. This issue will be resolved in the near future.

There are many sound reasons why we believe that a cupro-nickel dollar coin is strongly in the public interest:

1. *The primary purpose of coinage is to effectively serve as a medium of exchange, to buy goods and services. Only a nonsilver dollar coin would actually circulate.*—The experience with the Kennedy half dollar demonstrates that silver coins will not circulate in significant quantity. The Treasury and the Joint Coinage Commission both concluded that there is a commercial need for a circulating dollar coin that can only be met by a nonsilver coin.

2. *Over the next fiscal year the nonsilver dollar coin would mean a greater monetary return to the Federal Government than would be realized by a 40-percent silver coin.*—S.J. 158 which has passed the Senate would authorize the minting of 100 million 40-percent silver dollar coins a year for 3 years or until the supply of remaining silver is exhausted. Each 100 million of these coins would mean a return through seigniorage of about $52 million. By contrast, the monetary gain by producing each 100 million nonsilver dollar coins would be about $95 million. In addition, if the remaining silver surplus is not used for coinage the Treasury could obtain as much as $50 million more in revenue in 1970 from continued sales through the GSA.

Moreover, if the Congress acts now to authorize the minting of a cupro-nickel dollar coin, the Treasury can move very quickly to mint this coin in volume production, depending, of course, on public demand and available appropriations. We could mint as much as 300 million of these coins by the end of 1970. The total seigniorage, at least in 1970, would certainly be greater for a cupro-nickel than for a 40-percent silver dollar coin. Over a 3-year period the seigniorage return on the cupro-nickel coin could approach $1 billion. The advantage to the public is that this seigniorage return reduces the Government's borrowing needs by an equivalent amount. However, under the provisions of the coinage bill passed by the Senate, the minting of a cupro-nickel dollar coin could not begin until the available silver supply is exhausted which might take several years.

However, it should be emphasized that the major purpose of our coinage system is not to maximize seigniorage but to meet the country's need for an adequate supply of circulating coins. Seigniorage is simply the difference between the face value of a coin and the cost of its component materials. Including silver in a coin reduces seigniorage since silver is obviously more costly than copper or nickel. Although those who advocate the silver dollar assert that this would be equivalent to selling silver for $3.16 per ounce, it is no more logical to put a sale price on the silver in the coin than it would be to compute a sale price on the copper and nickel in dimes and quarters.

3. *Using our surplus silver for dollar coins would sginificantly increase our balance-of-payments deficit.*—Current annual domestic silver production is less than 40 million ounces compared with industrial consumption of about 145 million ounces. If weekly GSA silver sales are halted because all our remaining surplus silver is reserved for dollar coins, then silver imports for industrial use would have to increase substantially. We estimate that the resulting adverse effect on the balance of payments in the first year could be as much as $150 million.

4. *The final enactment of legislation recommended by the Treasury in addition to providing the economy with needed circulating coinage, would also be a major contribution toward alleviating the unstable conditions that have plagued the silver market for over 2 years.*—The sharp and largely irrational movements in silver prices both up and down have been stimulated by rumors and uncertainties regarding anticipated Government actions. We think the enactment of the

Treasury coinage bill will end this uncertainty by finally enabling the Treasury to clearly set forth just how much surplus silver it holds and how long and at what rate this silver will continue to be sold through open competitive bids.

As of September 30, 1969, the Treasury stock of silver bullion totaled about 80 million ounces. Of this total about 35 million ounces is in a form readily available for market sale. In addition we estimate that the Treasury's inventory of silver in coins that will be melted into bars totals about 60 million ounces, a figure we consider reasonably accurate within a 10 million ounce range. As of now, the Treasury's total stock of silver, including silver coins, is approximately 140 million ounces. This figure is entirely separate from the 165 million ounces of silver already set aside in the defense stockpile.

The enactment of the Treasury bill would make surplus virtually all of the Treasury's remaining stock of silver except for the relatively small amount that might be required for minting of half dollars in a transition period. We estimate that the silver surplus which could be available over the next year is adequate to continue sales through the GSA at the current rate through the greater part of 1970. At that point the slate would be clean. In this clearly defined period of adjustment producers and users of silver have ample opportunity to gear their operations to eventual complete independence from Government sources of supply.

In summary, the Treasury believes that the administrative actions that have been put into effect with regard to silver together with the prompt enactment of the coinage bill recommended by the Treasury will contribute greatly to a more effective coinage system and facilitate an orderly transition of the silver market to full reliance on private sources of supply.

Exhibit 59.—Press release, June 18, 1970, statement by Assistant Secretary Rossides concerning the weekly sale of silver through the General Services Administration.

The Treasury Department will continue to sell silver from its existing stock at the current rate of 1.5 million ounces per week through November 10, 1970, as previously announced on May 13, 1970, following the Joint Coinage Commission meeting.

Sales of silver recovered from the melting of dimes and quarters will continue until July 21, 1970. This will be followed by the sale of refined silver bars 996–999 fine through September 15. Sales from September 22 through November 10, 1970, will consist of silver bars below 996 fine.

Joint Financial Management Improvement

Exhibit 60.—Memorandum from the President, August 12, 1969, to heads of Government departments and agencies, on the Joint Financial Management Improvement Program

In charting the goals of this Administration, I have emphasized the need to improve the decisionmaking processes of the Federal Government. We must make our system for delivering program services more effective.

Therefore, I am giving full support to the Joint Financial Management Improvement Program, an indispensable project with a charter to sharpen some of the tools of management.

Under the leadership of the Comptroller General, the Secretary of the Treasury, the Budget Director, and the Chairman of the Civil Service Commission, the Joint Program has promoted many far-reaching improvements in the past. I want to see achievements in the future that will make management of Government operations more responsive and efficient.

To get full measure from the resources available to us, we must have all the necessary management information. We must have financial systems that illuminate every level and stage of decisionmaking: from the first-line supervisor to the President and the Congress, from the long-range forecast to the critical post-audit. Nothing less will let us go forward with programs that provide the most benefit for the taxpayer's dollar.

I have previously asked for a vigorous effort to convert to the accrual basis

for stating budget revenues and expenditures. That high priority goal dovetails with the objective of developing effective financial system, including budgeting, accounting, reporting, and auditing.

I direct the head of each department and agency to join Comptroller General Elmer B. Staats, Secretary of the Treasury David M. Kennedy, Budget Director Robert P. Mayo, and Civil Service Chairman Robert E. Hampton, under the Joint Financial Management Improvement Program, to make the development of effective financial systems a high priority in strengthening administrative practices. Without this effort, our ability to cope with the needs of the 1970's will be seriously impaired.

The challenge is there. I call upon each Federal manager to accept it as a personal challenge. Demand better financial information and use it.

Organization and Procedure

Exhibit 61.—Treasury Department orders relating to organization and procedure

No. 147, Revision No. 3, September 4, 1969.—Disestablishment of the Office of the Special Assistant to the Secretary (for Enforcement), and Establishment of the Office of Law Enforcement Training

By virtue of the authority vested in me as Secretary of the Treasury, including the authority in Reorganization Plan No. 26 of 1950:

a. The Office of Special Assistant to the Secretary (for Enforcement) is hereby disestablished, and its functions and duties are concurrently reassigned to the Assistant Secretary (Enforcement and Operations); and

b. The Office of Law Enforcement Training is hereby established under the direct supervision of the Assistant Secretary (Enforcement and Operations).

Functions and duties assigned to the Assistant Secretary (Enforcement and Operations) as a result of the above actions include, but are not limited to, the following:

Serve as principal advisor to the Secretary on all law enforcement matters;

Inform the Secretary fully of all significant developments relating to Presidential protection;

Coordinate all enforcement activities of the Treasury and provide such policy, functional and technical guidance to enforcement activities as is required to assure optimum benefits from joint and cooperative utilization of Treasury law enforcement resources;

Appraise Treasury enforcement agencies with respect to the overall efficiency, effectiveness, performance, and integrity of personnel, programs and activities, and institute any corrective action required;

Formulate basic law enforcement policy, program, organizational and procedural proposals to effectively and efficiently carry out the Department's national and international law enforcement responsibilities;

Provide inter-agency and inter-Governmental liaison and representation on enforcement matters;

Direct Treasury enforcement training;

Strengthen relationships with Federal, State, and local enforcement agencies;

Serve as United States representative with the International Criminal Police Organization (INTERPOL). In this capacity he will deal with all questions relating to INTERPOL dues, INTERPOL functions, obligations of membership and agenda of and representation at INTERPOL conferences and General Assembly sessions.

In addition, the Assistant Secretary (Enforcement and Operations) is hereby delegated authority to act on behalf of the Secretary in fulfilling responsibilities assigned to the Department of the Treasury for establishing and administering the Federal Law Enforcement Training Center.

The functions and duties herein assigned to the Assistant Secretary (Enforcement and Operations) may, at his discretion, be delegated to subordinates in such manner as he shall from time to time direct.

To effectuate the provisions of this order, I hereby direct the Assistant Secretary (Enforcement and Operations) to draw on all enforcement facilities of the Department without limitation, except as to restrictions imposed by law.

This order is effective immediately. Any previous orders or instructions in conflict with the provisions of this order are hereby amended accordingly. Treasury Department Order No. 147 (Revision No. 2) and Treasury Department Orders No. 147–1 through No. 147–6 are hereby rescinded.

DAVID M. KENNEDY,
Secretary of the Treasury.

No. 178–2, SEPTEMBER 29, 1969.—DELEGATION OF AUTHORITY TO EXECUTE AGREEMENTS OF INDEMNITY

By virtue of the authority vested in the Secretary of the Treasury, including the authority in Reorganization Plan No. 26 of 1950, and by virtue of the authority vested in me as Fiscal Assistant Secretary by Treasury Department Order No. 190, Revision 6, there is hereby delegated to the Commissioner of Accounts the authority of the Secretary of the Treasury under section 3b of the Government Losses in Shipment Act, 50 Stat. 479, as amended by the Act of August 10, 1939, 53 Stat. 1359 (40 U.S.C. 725), to execute and deliver, on behalf of the United States, agreements of indemnity to obtain the replacement of any instrument or document which has been received by the United States and subsequently lost, destroyed, or so mutilated as to impair its value.

JOHN K. CARLOCK,
Fiscal Assistant Secretary.

No. 183, REVISION No. 5, AUGUST 11, 1969.—ORDER OF SUCCESSION

1. Pursuant to Executive Order 10941, dated May 15, 1961, in the case of the death, resignation, absence, or sickness of the Secretary, the Under Secretary, and the Under Secretary for Monetary Affairs, the following officers shall, in the order of succession indicated, act as Secretary of the Treasury until a successor is appointed or until the absence or sickness shall cease:

(a) General Counsel

(b) Assistant Secretaries, appointed by the President with Senate confirmation, in the order in which they took the oath of office as Assistant Secretary.

2. Under the authority of Reorganization Plan No. 26 of 1950, the order of succession stated in paragraph 1 above is hereby extended to include the following, after the Assistant Secretaries appointed by the President with Senate confirmation:

(a) Other Executive Pay Act Officials in the Office of the Secretary, first in the order of Executive Pay Act levels, then in the order in which they took the oath of office in their present positions.

(b) Executive Pay Act Officials in Treasury Bureaus, first in the order of Executive Pay Act levels, then in the order in which they took the oath of office in their present positions.

(c) The Assistants and Special Assistants to the Secretary at GS–18 in the order of the dates of their appointments.

(d) Other GS–18 officials in the Office of the Secretary in the order in which they took the oath of office.

3. Under the authority of Reorganization Plan No. 26 of 1950, the senior official of GS–15 rank or above from the Office of the Secretary, and in the absence of such an official, the senior Treasury Bureau Headquarters official of GS–15 rank or above present at the Treasury Emergency Relocation Site, is authorized to perform as Acting Secretary of the Treasury all the duties of the Secretary of the Treasury whenever, to the best of his knowledge, the Secretary of the Treasury and all officers authorized under paragraphs 1, 2, and 3 above to act as Secretary are unable to take action. Seniority shall be determined by rank and salary level and length of service therein.

4. Under the authority of Reorganization Plan No. 26 of 1950, in the event all the officers designated in paragraphs 1, 2, and 3 above are unavailable or unable to take action, the following officers shall, in the order of succession indicated, act as Secretary of the Treasury as required:

(a) Regional Commissioners, Internal Revenue Service, in the order in which they were appointed as Regional Commissioners.

(b) Regional Commissioners, Bureau of Customs, in the order in which they were appointed as Regional Commissioners.

DAVID M. KENNEDY,
Secretary of the Treasury.

No. 190, REVISION NO. 7, SEPTEMBER 4, 1969.—SUPERVISION OF BUREAUS AND PERFORMANCE OF FUNCTIONS IN THE TREASURY DEPARTMENT

1. The following officials shall be under the direct supervision of the Secretary:
The Under Secretary
The Under Secretary for Monetary Affairs
The Assistant to the Secretary
Director, Executive Secretariat

2. The following officials shall be under the direct supervision of the Under Secretary:
Assistant to the Under Secretary
Special Assistant to the Secretary (Congressional Relations)
Special Assistant to the Secretary (National Security Affairs)
Special Assistant to the Secretary (Public Affairs)
Commissioner of Internal Revenue
Comptroller of the Currency

3. The following officials shall be under the direct supervision of the Under Secretary and shall exercise supervision over those offices, bureaus, and other organizational units indicated thereunder:
A. *General Counsel*
Legal Division
Office of Director of Practice
Office of Equal Opportunity Program
B. *Assistant Secretary* (*Tax Policy*)
Office of Tax Analysis
Office of Tax Legislative Counsel
C. *Assistant Secretary* (*Enforcement and Operations*)
Bureau of Customs
Bureau of Engraving and Printing
Bureau of the Mint
Office of Law Enforcement Training
United States Secret Service
D. *Assistant Secretary for Administration*
Office of Administrative Services
Office of Budget and Finance
Office of Management and Organization
Office of Personnel
Office of Planning and Program Evaluation
Office of Security

4. The following officials will be under the direct supervision of the Under Secretary for Monetary Affairs:
Deputy Under Secretary for Monetary Affairs
Special Assistant to the Secretary (Debt Management)

5. The following officials shall be under the direct supervision of the Under Secretary for Monetary Affairs and shall exercise supervision over those offices, bureaus, and other organizational units indicated thereunder:
A. *Assistant Secretary* (*International Affairs*)
Office of Administration
Office of Balance of Payments Programs, Operations and Statistics
Office of Developing Nations
Office of Financial Policy Coordination and Operations
Office of Foreign Assets Control
Office of Industrial Nations
Office of International Economic Affairs
Office of International Gold and Foreign Exchange Operations
Office of Latin America
B. *Assistant Secretary* (*Economic Policy*)
Office of Debt Analysis
Office of Domestic Gold and Silver Operations
Office of Financial Analysis

C. *Fiscal Assistant Secretary*
Bureau of Accounts
Bureau of the Public Debt
Office of the Treasurer of the United States

D. *United States Savings Bonds Division*

6. The Under Secretary, the Under Secretary for Monetary Affairs, the General Counsel, and the Assistant Secretaries are authorized to perform any functions the Secretary is authorized to perform. Each of these officials shall perform functions under this authority in his own capacity and under his own title, and shall be responsible for referring to the Secretary any matter on which actions should appropriately be taken by the Secretary. Each of these officials will ordinarily perform under this authority only functions which arise out of, relate to, or concern the activities or functions of or the laws administered by or relating to the bureaus, offices, or other organizational units over which he has supervision. Any action heretofore taken by any of these officials in his own capacity and under his own title is hereby affirmed and ratified as the action of the Secretary.

7. The following officers shall, in the order of succession indicated, act as Secretary of the Treasury in case of the death, resignation, absence, or sickness of the Secretary and other officers succeeding him, until a successor is appointed or until the absence or sickness shall cease:

A. Under Secretary
B. Under Secretary for Monetary Affairs
C. General Counsel
D. Presidentially appointed Assistant Secretaries in the order in which they took the oath of office as Assistant Secretary

8. Treasury Department Order No. 190 (Revision 6) is rescinded, effective this date.

DAVID M. KENNEDY,
Secretary of the Treasury.

NO. 191, REVISION NO. 4, AUGUST 11, 1969.—DESIGNATION OF DEPUTIES

1. In addition to other assignments, the Principal assistant to each of the following officials is designated to serve, at the pleasure of the Secretary, as the deputy of the principal involved:

Principal

Under Secretary for Monetary Affairs,
General Counsel,
Assistant Secretary (International Affairs),
Assistant Secretary (Tax Policy),
Assistant Secretary (Enforcement and Operations),
Assistant Secretary (Economic Policy),
Fiscal Assistant Secretary,
Assistant Secretary for Administration,
Assistant to the Secretary,
Special Assistant to the Secretary (Public Affairs),
Special Assistant to the Secretary (Congressional Relations),
Special Assistant to the Secretary (National Security Affairs),
Commissioner of Internal Revenue Service,
Comptroller of the Currency,
Commissioner of Customs,
Director, U.S. Secret Service,
Director, Bureau of Engraving and Printing,
Director, Bureau of the Mint,
Commissioner, Bureau of Accounts,
Commissioner, Bureau of the Public Debt,
Treasurer of the United States,
Director, U.S. Savings Bonds Division.

2. Each deputy shall have authority to perform, during the absence of his principal, any function his principal is authorized to perform, consistent with Treasury Order No. 190 Revised.

397-702 O—71——32

3. Principals and deputies shall avoid simultaneous absences. Exceptions may be requested through the Executive Secretariat in case of emergency of exceptional circumstances.

4. Treasury Department Order No. 191 (Revision 3) is rescinded.

DAVID M. KENNEDY,
Secretary of the Treasury.

No. 209, REVISED, FEBRUARY 6, 1969.—TREASURY DEPARTMENT UTILIZATION OF THE DEPARTMENT OF DEFENSE INDUSTRIAL SECURITY PROGRAM

To provide for the Treasury Department, when acting as a "contracting agency" to participate as a user agency in the Department of Defense Industrial Security Program. This program and the regulations thereof have been developed pursuant to Executive Order 10865, as amended, to protect (1) release of classified information to or within United States industry that relates to bidding on, or the negotiation, award, performance, or termination of, contracts and (2) other releases of classified information to or within industry by Government Agencies who have responsibility for the safeguarding of such classified information.

SECTION 1. DEFINITIONS

The following terms, as used herein, shall have the meanings specified:

A. "Department" means the Department of the Treasury

B. "Secretary" means the Secretary of the Treasury

C. "Head of the Bureau" means the Head of the Bureau, Independent Office, or Division of a Department, from which the case emanates

SECTION 2. PROGRAM OBJECTIVE

The security of the United States depends in part upon the proper safeguarding of classified information released to industry. The objective of the Industrial Security Program is to assure the safeguarding of classified information in the hands of United States Industry. The objective of the Department of Defense Industrial Security Regulations is to set forth the industrial security program, policies, practices, and procedures used internally by the Department of Defense to insure maximum uniformity and effectiveness in its application throughout industry.

SECTION 3. AGREEMENT

An agreement between the Department of Defense and the Department of the Treasury was executed on 26 May 1965 which provides for inclusion of the Treasury Department as a "user agency" in the program.

SECTION 4. PROGRAM OUTLINE, AUTHORITY, SCOPE

A. The Deputy Director of Contract Administration Services, Defense Supply Agency (DSA), under the policy guidance of the Assistant Secretary of Defense (Manpower), developed and promulgated the Department of Defense Industrial Security Regulation (DOD 5520.22R) pursuant to the National Security Act of 1947. This regulation is applicable to the Office of the Secretary of Defense, the Departments of the Army, Navy, Air Force, Treasury, and others, hereinafter referred to as "User Agencies" in all industrial security relationships with U.S. Industry. The regulation implements the security policies established by the Assistant Secretary of Defense (Manpower) and establishes the procedures, requirements, and practices concerned with the effective protection of classified information in the hands of U.S. Industry, including foreign classified information which the U.S. Government is obliged to protect in the interest of National defense. User Agencies are not authorized to require a different standard of industrial security than prescribed in the regulations except as specifically provided for therein in exceptional cases.

B. The Secretary of Defense is authorized to act in behalf of User Agencies, in rendering industrial security services. This authority is contained in exchanges of letters between participating agencies and, for the Treasury Department, through execution of the Agreement of 21 April 1965. The Defense Supply

Agency (DSA) will perform all cognizant security office functions prescribed by the regulations in behalf of all User Agencies. User Agencies will perform the functions of, and will have the authority and responsibility, prescribed by the regulation and in the Industrial Security Manual, of a contracting officer, except when the administrative contracting officer's functions are delegated or assigned to the Defense Supply Agency.

SECTION 5. PROCEDURE—LIAISON

A. The procedures for "User Agencies" are set forth in the publications described in SECTION 6 and provide for use of the system at the contracting officer level through utilization of the services of the appropriate Regional Defense Contract Administration Services Office. Publications shall be procured through normal sources.

B. The Director, Office of Security is designated as Liaison Officer for this program as it applies to the Treasury Department and the latter will act upon request in any dealing involving the central office of the Defense Supply Agency.

SECTION 6. PUBLICATIONS

A. The following publications are essential and required documentation for the implementation of this program:

I. Department of Defense Industrial Security Regulation, DOD 5220.22–R

II. Department of Defense Industrial Security Manual for Safeguarding Classified Information, DOD 5220.22–M

A. E. WEATHERBEE,
Assistant Secretary for Administration.

No. 216, SEPTEMBER 8, 1969.—ESTABLISHMENT OF THE TREASURY DEPARTMENT LAW ENFORCEMENT COUNCIL

1. There is established in the Office of the Assistant Secretary (Enforcement and Operations) the Treasury Department Law Enforcement Council.

2. The Assistant Secretary (Enforcement and Operations) shall be Chairman of the Council. The Council shall consist of the following officials:

Assistant Director (Investigations), U.S. Secret Service
Assistant Director (Protective Forces), U.S. Secret Service
Assistant Director (Protective Intelligence), U.S. Secret Service
Director (Internal Security Division), Internal Revenue Service
Director (Intelligence Division), Internal Revenue Service
Chief, Enforcement Branch, Alcohol, Tobacco and Firearms Division, Internal Revenue Service
Assistant Commissioner (Investigations), Bureau of Customs
Director, Division of Enforcement, Bureau of Customs

The Assistant Secretary for Administration, the Commissioner of Internal Revenue, the Director, U.S. Secret Service, and the Commissioner of Customs shall be members ex officio.

3. The Council shall have the mission of advising and assisting the Assistant Secretary (Enforcement and Operations) in performing his functions. The Council will not be used to formulate programs or make operating decisions that are reserved as a responsibility to the Head of a Bureau.

CHARLS E. WALKER,
Under Secretary.

No. 217. MARCH 2, 1970.—ESTABLISHMENT OF THE CONSOLIDATED FEDERAL LAW ENFORCEMENT TRAINING CENTER

1. *Authority and Establishment*

By virtue of the authority vested in me as Secretary of the Treasury, including the authority in the Government Employees Training Act, 5 U.S.C. 4101–4118, as implemented by Executive Order 11348 of April 20, 1967, I hereby establish the Consolidated Federal Law Enforcement Training Center as an organizational entity within the Department of the Treasury to function as an interagency training facility.

2. *Objective*

Establishment of the Center, within the Department of the Treasury, is for purposes of:

a. Providing participating Federal agencies with adequate, modern facilities for conducting law enforcement training in an effective, economical manner;

b. Utilizing the professional support services and administrative mechanisms of a large existing agency, experienced in law enforcement training, to avoid duplicating these capabilities within a new, small, independent organization.

3. *Center Mission*

The Consolidated Federal Law Enforcement Training Center shall:

a. Provide necessary facilities, equipment, and support services for conducting recruit, advanced, specialized, and refresher law enforcement training for personnel of participating Federal agencies, including:

(1) Budgeting for and administering funds for construction, maintenance, and operation of the Center;

(2) Housing, feeding, and providing recreation programs and administrative services for students.

b. Provide support, administrative, and educational personnel for common training courses to:

(1) Consolidate requirements of participating agencies and develop proposed curricula;

(2) Develop content and teaching techniques for courses;

(3) Instruct and evaluate students.

c. As an interagency training facility, provide training to other eligible persons.

4. *Center Development*

The Secretary of the Treasury will exercise responsibilities prerequisite to initiating Center operations at the earliest date, including the development of detailed plans within the guidelines established by the Congress for the design and construction of Center facilities.

5. *Center Operations*

The Department of the Treasury is the Executive Agency for operating the Center and serves as the established point of authority for implementation of Federal regulations and policies having Government-wide application. Within this concept:

a. All employees of the Center staff will be appointed under the authority of the Secretary of the Treasury and shall be employees of the Department of the Treasury;

b. Center operations will be financed by a separate appropriation to the Department of the Treasury to be used to pay costs of salaries, equipment, and other expenses in connection with

(1) Administration.

(2) Maintenance and operation of the physical plant (including dormitories and dining facilities).

(3) Conducting common training courses.

(4) Operation of the laboratories, library, and other support services.

(5) Research conducted in law enforcement curriculum and training methods.

c. Staff offices in the Office of the Secretary will provide support and assistance, related to:

(1) Organizational structure, management systems, and administrative procedures;

(2) Staffing patterns, manpower utilization and control, and personnel administration;

(3) Design, construction, and maintenance of facilities; and

(4) Financial management systems and budgetary processes, including planning, programming, and budgeting.

DAVID M. KENNEDY,
Secretary of the Treasury.

Advisory Committees

Exhibit 62.—Advisory committees utilized by the Department of the Treasury under Executive Order 11007

During the fiscal year 1970 the advisory committees listed below were continued in use or newly established after a finding of public interest by the Secretary of the Treasury, in accordance with the requirements of Executive Order 11007, dated February 26, 1962. The information concerning the committees is published in the annual report in compliance with section 10 of the order.

Office of the Secretary

DEBT MANAGEMENT COMMITTEES

The Treasury Department, in connection with debt management duties, uses in an advisory capacity the services of a number of committees representing organizations which form a cross section of the American financial community. The committees meet periodically, at the invitation of the Treasury, to discuss and advise upon current and future Federal financings. The Treasury finds discussions with these advisory groups to be of great value, primarily in assessing the general market sentiment prior to a major refinancing of maturing obligations. Their recommendations are carefully considered by Treasury officials and serve as a part of the background environment for the final financing decisions. These committees are as follows:

- American Bankers Association, Government Borrowing Committee
- Investment Bankers Association of America, Governmental Securities Committee
- National Association of Mutual Savings Banks, Committee on Government Securities and the Public Debt
- Life Insurance Association of America and American Life Convention, Joint Economic Policy Committee
- U.S. Savings and Loan League, National League of Insured Savings Associations, Advisory Committee on Government Securities
- Independent Bankers Association, Government Fiscal Policy Committee

Four meetings were held with the Government Borrowing Committee of the American Bankers Association in fiscal year 1970, on July 29–30, September 16–17, January 27–28 and April 28–29.

Membership of the Committee was as follows:

Frederick G. Larkin, Jr. (Chairman)	Chairman, Security Pacific National Bank, P.O. Box 2097, Los Angeles, Calif.
William T. Heffelfinger (Secretary)	Federal Administrative Adviser and Senior Deputy Manager, A.B.A., Washington, D.C.
William G. Foulke	Chairman and Chief Executive Officer, Provident National Bank, Philadelphia, Pa.
James P. Hickok	Chairman of Board, First National Bank, St. Louis, Mo.
John M. Meyer, Jr.	Chairman and Chief Executive Officer, Morgan Guaranty Trust Co., New York, N.Y.
William S. Renchard	Chairman, Chemical Bank, New York, N.Y.
Emmett G. Solomon	Chairman and Chief Executive Officer and Chairman of Executive Committee, Crocker-Citizens National Bank, San Francisco, Calif.
Mills H. Anderson	President, Bank of Carthage, Carthage, Mo.
George S. Craft	Chairman of Board, Trust Co. of Georgia, Atlanta, Ga.
George S. Eccles	President, First Security Bank of Utah, N.A., Salt Lake City, Utah
David Rockefeller	Chairman and Chief Executive Officer, The Chase Manhattan Bank, N. A., New York, N.Y.
Robert V. Roosa	Partner, Brown Bros. Harriman & Co., New York, N.Y.
Kenneth V. Zwiener	Chairman of Board, Harris Trust & Savings Bank, Chicago, Ill.

Henry T. Bodman	Chairman, National Bank of Detroit, Detroit, Mich.
Thomas O. Cooper	President and Trust Officer, South Des Moines National Bank, Des Moines, Iowa
Gaylord A. Freeman, Jr.	Vice Chairman of Board, The First National Bank, Chicago, Ill.
Russ M. Johnson	Chairman of Executive Committee, Deposit Guaranty National Bank, Jackson, Miss.
William H. Moore	Chairman of Board, Bankers Trust Co., New York, N.Y.
Walter B. Wriston	President, First National City Bank, New York, N.Y.
Charles J. Gable, Jr.	Executive Vice President, The First Pennsylvania Banking & Trust Co., Philadelphia, Pa.
John J. Larkin	Senior Vice President, First National City Bank, New York, N.Y.
Donald C. Miller	Senior Vice President, Continental Illinois National Bank & Trust Co., Chicago, Ill.
Paul I. Wren	Chairman of Board and Chief Executive Officer, Old Colony Trust Co., Boston, Mass.
Clifford C. Sommer	President, Security Bank & Trust Co., Owatonna, Minn.
J. Howard Laeri	Vice Chairman, First National City Bank, New York, N.Y.
Douglas R. Smith	Chairman of Board and President, National Savings & Trust Co., Washington, D.C.

Four meetings were held with the Governmental Securities Committee of the Investment Bankers Association of America in fiscal year 1970, on July 29–30, September 16–17, January 27–28 and April 28–29.

Membership of the Committee was as follows:

C. Richard Youngdahl (Chairman)	President, Aubrey G. Lanston & Co., Inc., New York, N.Y.
Daniel Ahearn	Vice President, Wellington Fund, Boston, Mass.
Robert H. Bethke	Chairman, Executive Committee and Director, Discount Corp. of New York, New York, N.Y.
Robert B. Blyth	Vice Chairman, National City Bank of Cleveland, Cleveland, Ohio
Robert H. Britton	Executive Vice President, Briggs, Schaedle & Co., Inc., New York, N.Y.
Alan K. Browne	Senior Vice President, Bank of America, San Francisco, Calif.
Carl F. Cooke	Senior Vice President and Director, The First Boston Corp., New York, N.Y.
G. Lamar Crittenden	Senior Vice President, First National Bank of Boston, Boston, Mass.
Stewart A. Dunn	Vice President and Director, Merrill Lynch, Pierce, Fenner & Smith, Inc., New York, N.Y.
Lester H. Empey	Senior Vice President and Chairman of The Investment Committee, Wells Fargo Bank, San Francisco, Calif.
Ralph F. Leach	Vice Chairman, Morgan Guaranty Trust Co., New York, N.Y.
Eugene S. Lee	Executive Vice President, Valley National Bank, Phoenix, Ariz.
Preston T. Luney	Vice President, Harris Trust & Savings Bank, Chicago, Ill.
Edward D. McGrew	Senior Vice President, The Northern Trust Co., Chicago, Ill.
Edward R. McMillan	Senior Vice President, National Bank of Commerce, Seattle, Wash.
John H. Perkins	Executive Vice President, Continental Illinois National Bank & Trust Co., Chicago, Ill.
William W. Pevear	Senior Vice President, Irving Trust Co., New York, N.Y.

Robert B. Rivel	Executive Vice President, The Chase Manhattan Bank, New York, N.Y.
H. Jack Runnion, Jr.	Senior Vice President, Wachovia Bank & Trust Co., Winston-Salem, N.C.
William E. Simon	Partner, Salomon Bros. & Hutzler, New York, N.Y.
Robert W. Stone	Senior Vice President, Irving Trust Co., New York, N.Y.
Paul E. Uhl	Executive Vice President, United California Bank, Los Angeles, Calif.

One meeting was held with the Committee on Government Securities and the Public Debt of the National Association of Mutual Savings Banks in fiscal year 1970, on September 12, 1969.

Membership of the Committee was as follows:

Robert J. Hill (Chairman)	President, New Hampshire Savings Bank, Concord, N.H.
Luke A. Baione	Senior Vice President and Treasurer, The Brevoort Savings Bank, Brooklyn, N.Y.
Anthony I. Eyring	President, Washington Mutual Savings Bank, Seattle, Wash.
G. Churchill Francis	President, The Boston Five Cents Savings Bank, Boston, Mass.
Charles B. Grubb	President, The Poughkeepsie Savings Bank, Poughkeepsie, N.Y.
William H. Harder	President, Buffalo Savings Bank, Buffalo, N.Y.
Robert Horsfield	Executive Vice President, Dry Dock Savings Bank, New York, N.Y.
John W. Kress	President, The Howard Savings Institution, Newark, N.J.
Sheldon L. Ladd	President and Treasurer, The Meriden Savings Bank, Meriden, Conn.
William B. Licklider	President, The United States Savings Bank, Newark, N.J.
Edward F. McGinley, Jr.	President, Beneficial Mutual Savings Bank, Philadelphia, Pa.
Barrett C. Nichols	Executive Vice President and Treasurer, Maine Savings Bank, Portland, Maine
Lester J. Norcross	President, Syracuse Savings Bank, Syracuse, N.Y.
Donald P. Noyes	President, North Avenue Savings Bank, Cambridge, Mass.
Albert N. Place	President, Woonsocket Institution for Savings, Woonsocket, R.I.
Norman C. Ramsey	Chairman of the Board and President, Broadway Savings Bank, New York, N.Y.
William H. Smith, 2d	President, Holyoke Savings Bank, Holyoke, Mass.
Leo F. Stanley	President, The New Haven Savings Bank, New Haven, Conn.
Theodore W. Lowen	President, Savings Banks Trust Co., New York, N.Y.
Dr. Saul B. Klaman	Vice President and Chief Economist, National Association of Mutual Savings Banks, New York, N.Y.

One meeting was held with the Joint Economic Policy Committee of the Life Insurance Association of America and the American Life Convention in fiscal year 1970, on October 14, 1969.

Membership of the Committee was as follows:

John J. McGovern, Jr. (Chairman)	President, The Mutual Benefit Life Insurance Co., Newark, N.J.
Franklin Briese	President and Chairman, The Minnesota Mutual Life Insurance Co., St. Paul, Minn.
G. Daniel Brooks	Chairman, National Life and Accident Insurance Co., Nashville, Tenn.

George T. Conklin, Jr.	President, The Guardian Life Insurance Co. of America, New York, N.Y.
L. O. Copeland	President, North American Life Insurance Co. of Chicago, Chicago, Ill.
R. Howard Dobbs, Jr.	President, Life Insurance Co. of Georgia, Atlanta, Ga.
Francis E. Ferguson	President, The Northwestern Mutual Life Insurance Co., Milwaukee, Wis.,
John T. Fey	President, National Life Insurance Co., Montpelier, Vt.
Donald S. MacNaughton	President, The Prudential Insurance Company of America, Newark, N.J.
Henry R. Roberts	President, Connecticut General Life Insurance Co., Hartford, Conn.
Henry F. Rood	Chairman, The Lincoln National Life Insurance Co., Fort Wayne, Ind.
Robert E. Slater	President, John Hancock Mutual Life Insurance Co., Boston, Mass.
J. Henry Smith	President, The Equitable Life Assurance Society of the United States, New York, N.Y.
W. Roger Soles	President, Jefferson Standard Life Insurance Co., Greensboro, N.C.
Donald H. Wilson, Jr.	President, Monumental Life Insurance Co., Baltimore, Md.

One meeting was held with the Advisory Committee on Government Securities of the Savings and Loan Business in fiscal year 1970, on September 11, 1969.

Membership of the Committee was as follows:

C. L. Clements, Sr. (Chairman)	Chase Federal Savings & Loan Association, Miami Beach, Fla.
James A. Aliber	President, First Federal Savings & Loan Association, Detroit, Mich.
Junius F. Baxter	President, Western Federal Savings & Loan Association, Denver, Colo.
James E. Bent	Chairman of Board, Hartford Federal Savings & Loan Association, Hartford, Conn.
Frederick Bjorklund	President, Minnesota Federal Savings & Loan Association, St. Paul, Minn.
Lacy Boggess	President, Mutual Savings & Loan Association, Fort Worth, Tex.
Henry A. Bubb	Chairman of Board, Capitol Federal Savings & Loan Association, Topeka, Kans.
Carl Distelhorst	Winter Park, Fla.
Fred F. Enemark	Executive Vice President, Marin County Savings & Loan Association, San Rafael, Calif.
E. Stanley Enlund	President, First Federal Savings & Loan Association, Chicago, Ill.
Jonathan M. Fletcher	President, First Federal Savings & Loan Association, Des Moines, Iowa.
Richard G. Gilbert	President, Citizens Savings Association, Canton, Ohio
L. W. Grant, Sr.	Chairman of Board, Home Federal Savings & Loan Association, Tulsa, Okla.
George E. Leonard	President, First Federal Savings & Loan Association, Phoenix, Ariz.
Frank Lietgeb	Executive Vice President, Washington Heights Federal Savings & Loan Association, New York, N.Y.
Donald P. Lindsay	President, Lincoln First Federal Savings & Loan Association, Spokane, Wash.
Roy M. Marr	Chairman of Board, Leader Federal Savings & Loan Association, Memphis, Tenn.
John W. Stadtler	President, National Permanent Savings & Loan Association, Washington, D.C.

A. D. Theobald	President, First Federal Savings & Loan Association, Peoria, Ill.
Donald A. Thompson	Senior Vice President, California Federal Savings & Loan Association, Los Angeles, Calif.
Gerrit Vander Ende	President, Pacific First Federal Savings & Loan Association, Tacoma, Wash.
John Zellars	Executive Vice President, Atlanta Federal Savings & Loan Association, Atlanta, Ga.
James A. Hollensteiner	Secretary, U.S. Savings & Loan League, Chicago. Ill.

Two meetings were held with the Government Fiscal Policy Committee of the Independent Bankers Association for fiscal year 1970, on December 15, 1969 and June 9, 1970.

Membership of the Committee was as follows:

Rod L. Parsch	President, IBA, and President, Lapeer County Bank & Trust Co., Lapeer, Mich.
Donald M. Carlson	First Vice President, IBA, and President, Elmhurst National Bank, Elmhurst, Ill.
H. L. Gerhart, Jr.	Second Vice President, IBA, and President, First National Bank, Newman Grove, Nebr.
Gene Moore	Secretary for IBA, and Secretary to the Government Fiscal Policy Committee, Sauk Centre, Minn.
William F. Enright, Jr.	Chairman, Government Fiscal Policy Committee, and Senior Vice President, American National Bank, St. Joseph, Mo.
Milton J. Hayes	Vice Chairman, Government Fiscal Policy Committee, and Senior Vice President, American National Bank & Trust Co., Chicago, Ill.
J. C. Reeves	Senior Vice President, National Bank of Commerce of Pine Bluff, Ark.
Donald R. Ostrand	Vice President, First National Bank, Omaha, Nebr.
O. K. Johnson	Banker Consultant, Milwaukee, Wis.
B. Meyer Harris	President, The Yellowstone Bank, Laurel, Mont.
Raymond K. Smith	President, First National Bank & Trust Co., Corning, N.Y.
S. E. Babington	Director, Brookhaven Bank & Trust Co., Brookhaven, Miss.

TREASURY LIAISON COMMITTEE OF THE BUSINESS COUNCIL

The Secretary of the Treasury proposed this Committee on May 8, 1965, "to keep up a two-way exchange and dialog on areas of material concern to the Treasury and the business community." The Committee consists of members informally recommended and appointed by the Business Council and the Secretary of the Treasury. The functions of the Committee are advisory and consultative. Formation of the Committee was announced on July 8, 1965.

During fiscal 1970 the Committee met on October 7, 1969, and May 9, 1970.

Membership of the Committee in fiscal 1970 was as follows:

Thomas S. Gates, Jr. (Chairman)	Chairman, Morgan Guaranty Trust Co., New York, N.Y.
William A. Hewitt	Chairman, Deere & Co., Moline, Ill.
Frank R. Milliken	President, Kennecott Copper Co., New York, N.Y.
Eugene N. Beesley	President, Eli Lilly & Co., Indianapolis, Ind.
Howard L. Clark	Chairman, American Express Co., New York, N.Y.
Fredric G. Donner	Former Chairman, General Motors Corp., New York, N.Y.
Charles F. Myers, Jr.	Chairman, Burlington Industries, Inc., Greensboro, N.C.
Albert L. Nickerson	Former Chairman, Mobile Oil Co., New York, N.Y.
David Rockefeller	Chairman and Chief Executive Officer, Chase Manhattan Bank, New York, N.Y.

ADVISORY GROUP TO THE COMMISSIONER OF INTERNAL REVENUE

This group was established by the Commissioner of Internal Revenue on June 17, 1959.

This Committee, which represents professional and other private groups concerned with Federal taxation, provides constructive criticism of Internal Revenue policies and procedures and suggests ways in which the Service can improve its operations.

The advisory group met on October 16–17, 1969, and January 29–30 and June 4–5, 1970.

The membership in fiscal 1970 follows:

Donald C. Alexander	Dinsmore, Shohl, Barrett, Coates & Deupres, Cincinnati, Ohio 45202
William T. Barnes	Lybrand, Ross Bros. & Montgomery, Washington, D.C. 20036
Norton M. Bedford	Professor, University of Illinois at Urbana-Champaign, College of Commerce and Business Administration, Urbana, Ill. 61801
J. Keith Butters	Professor, Harvard University, Graduate School of Business Administration, Boston, Mass. 02163
Sheldon S. Cohen	Cohen & Uretz, Washington, D.C. 20036
F. Cleveland Hendrick, Jr.,	Hendrick & Lane, Washington, D.C. 20036
William M. Horne, Jr.	Reed, Smith, Shaw & McClay, Washington, D.C. 20005
Harry K. Mansfield	Ropes & Gray, Boston, Mass. 02110
Bishop Francis John Mugavero	Brooklyn, N.Y. 11238
Fred C. Scribner, Jr., Chairman	Atwood, Scribner, Allen & McKusick, Commerce Building, Portland, Maine 04110
Rabbi Ralph Simon	Congregation Rodfei Zedek, Chicago, Ill. 60615
Richard J. Whalen	Washington, D.C. 20016
Rene A. Wormser	Wormser, Koch, Kiely & Alessandroni, New York, N.Y. 10022

Commissioner of Internal Revenue

ADVISORY COMMITTEE ON EXEMPT ORGANIZATIONS

In November 1969 the Commissioner announced the appointment of 15 distinguished Americans to the newly created Advisory Committee on Exempt Organizations. These widely experienced people have agreed to serve as Internal Revenue Service consultants in the nature of a sounding board to review problems in charting the outer limitations of the tax law regarding religious, educational, charitable, and other organizations which constitute the majority of tax exempt organizations.

The committee met on January 15–16 and May 18–19, 1970.

Membership in fiscal 1970 follows:

Dr. Carlton P. Alexis	Associate Professor of Medicine, Howard University, Washington, D.C. 20001
Donald T. Burns	Arthur Young & Co., Los Angeles, Calif. 90017
Charles O. Galvin	Dean, School of Law, Southern Methodist University, Dallas, Tex. 75222
H. J. Heinz, II	Chairman of the Board, H. J. Heinz Co., Pittsburgh, Pa. 15212
Adelaide Cromwell Hill	Boston University, Afro-American Studies Center, Brookline, Mass. 02146
John R. Hogness	Executive Vice President, University of Washington, Seattle, Wash. 98105
James Roger Hull	Chairman of the Board, Mutual Life Insurance Co. of New York, New York, N.Y. 10019
Hon. Louis J. Lefkowitz	Attorney General, State of New York, New York, N.Y. 10013
Walter L. Kidd	Director of Taxes, American Telephone & Telegraph Co., New York, N.Y. 10007

Jeff Blair McIlroy	Public Accountant, P.O. Box 4345, Little Rock, Ark. 72204
A. Waldo Sowell, Jr.	CPA, Alexander Grant & Co., Atlanta, Ga. 30303
Maurice E. Stark	Stark & Crumley, Fort Dodge, Iowa 50501
Arthur B. Willis	Willis, Butler, & Scheifly, Los Angeles, Calif. 90017

ART ADVISORY PANEL TO THE COMMISSIONER OF INTERNAL REVENUE

This panel was established by the Commissioner of Internal Revenue on February 1, 1968.

The Art Advisory Group consists of members representing the three major segments of the art world—museums, universities, and dealers. The Group provided advice on the valuation of works of art for Federal tax purposes at meetings held on September 10–11, 1969, and March 16–17, 1970. Three new members were appointed during 1970 as part of the rotational concept of panel membership. The newest members are marked by asterisk in the following list of panel membership.

Dr. Richard F. Brown	Director, Kimbell Foundation, Fort Worth, Tex.
Mr. Anthony M. Clark	Director, Minneapolis Institute of Arts, Minneapolis, Minn.
Mr. Charles C. Cunningham	Director, Art Institute of Chicago, Chicago, Ill.
Mr. Louis Goldenberg	Art Dealer, Wildenstein & Co., New York, N.Y.
Dr. George H. Hamilton*	Williams College, Williamstown, Mass.
Dr. Sherman E. Lee	Director, Cleveland Museum of Art, Cleveland, Ohio
Mr. William S. Lieberman*	Director (Prints), Museum of Modern Art, New York, N.Y.
Prof. Charles F. Montgomery	University of Delaware, Newark, Del.
Mr. Alexander P. Rosenberg*	Art Dealer, Paul Rosenberg & Co., New York, N.Y.
Mr. Eugene V. Thaw	Art Dealer, E. V. Thaw Co., New York, N.Y.

FIREARMS EVALUATION PANEL TO THE COMMISSIONER OF INTERNAL REVENUE

The Firearms Evaluation Group was established on November 15, 1968. Informal meetings were held throughout the year, at which advice was given concerning the development of standards to control the importation of firearms and ammunition.

The membership of the Group during fiscal 1970 was as follows:

Mr. Donald Flohr	Firearms Technician, H. P. White Laboratories, Bel Air, Md.
Mr. Harold Johnson	U.S. Army, Foreign Science and Technology Center, Washington, D.C.
Mr. Daniel D. Musgrave	Representative, Mauser Works of West Germany, Cabin John, Md.
Mr. John Richards	Owner, Potomac Arms Co., Alexandria, Va.
Mr. Jepta Rogers	Administrative Assistant, International Association of Chiefs of Police, Washington, D.C.
Lt. Col. Joseph S. Smith (Ret.)	Deputy Director, Civilian Marksmanship Program, Department of Defense, Washington, D.C.

Comptroller of the Currency

ADVISORY COMMITTEE FOR INTERNATIONAL BANKING AND FINANCE

This Committee was formed on October 2, 1964, by the Comptroller of the Currency to provide the Comptroller with technical advice and suggestions which are essential to effective supervision of the international financial activities of national banks.

The members of this Committee in fiscal year 1970 were as follows:

Frederick Heldring (Chairman)	Senior Vice President, The Philadelphia National Bank, Philadelphia, Pa.
Alfred F. Miossi (Vice Chairman)	Senior Vice President, Continental Illinois National Bank & Trust Co. of Chicago, Chicago, Ill.
A. Robert Abboud	Senior Vice President, The First National Bank of Chicago, Chicago, Ill.

Luis F. Corea	Senior Vice President, The Riggs National Bank of Washington, Washington, D.C.
G. A. Costanzo	Executive Vice President, First National City Bank, New York, N.Y.
Clarence L. Hulford	Senior Vice President, The National Bank of Commerce of Seattle, Seattle, Wash.
Matthew P. Murphy	Senior Vice President, Republic National Bank of Dallas, Dallas, Tex.
J. Warren Olmsted	Executive Vice President, The First National Bank of Boston, Boston, Mass.
Herbert P. Patterson	President, The Chase Manhattan Bank, N.A., New York, N.Y.
William Walter Phelps, Jr.	Senior Vice President, Mellon National Bank & Trust Company of Pittsburgh, Pittsburgh, Pa.
Roland Pierotti	Executive Vice President, Bank of America N.T. & S.A., San Francisco, Calif.

CONSULTING COMMITTEE OF BANK ECONOMISTS

On November 23, 1965, the Comptroller announced the appointment of a consulting committee of bank economists which included seven national bank economists.

This Committee's function was to advise the Comptroller and his staff and work with the National Advisory Committee. The Committee's primary responsiblity was to bring specialized experience and technical knowledge to bear on current problems of banking policy and practice.

The members of this Committee, which met in fiscal year 1970 on September 8, 1969, and April 29, 1970, were as follows:

John J. Balles (Chairman)	Senior Vice President, Mellon National Bank & Trust Co., Pittsburgh, Pa.
William F. Butler	Vice President, The Chase Manhattan Bank, N.A., New York, N.Y.
James M. Dawson	Vice President & Economist, National City Bank of Cleveland, Cleveland, Ohio
Walter Hoadley	Executive Vice President & Chief Economist, Bank of America, N.T. & S.A., San Francisco, Calif.
Herbert E. Johnson	Vice President, Continental Illinois National Bank & Trust Co. of Chicago, Chicago, Ill.
William J. Korsvik	Vice President, First National Bank of Chicago, Chicago, Ill.
Leif H. Olsen	Senior Vice President and Economist, First National City Bank, New York, N.Y.
Eugene C. Zorn, Jr.	Senior Vice President and Economist, Republic National Bank of Dallas, Dallas, Tex.

INVESTMENT SECURITIES ADVISORY COMMITTEE

In 1962, the Comptroller of the Currency established the Investment Securities Advisory Committee. The purpose of the Committee was to advise the agency on matters pertaining to the regulations concerning investment securities.

Members of the Committee, who met in fiscal year 1970 on January 28, 1970, were as follows:

John H. Perkins (Chairman)	Executive Vice President, Continental Illinois National Bank & Trust Co. of Chicago, Chicago, Ill.
Alan K. Browne	Senior Vice President, Bank of America, N.T. & S.A., San Francisco, Calif.
Albert W. Gray	Vice President, Northwest Bancorporation, Minneapolis, Minn.
Lewis F. Lyne	Executive Vice President, Mercantile National Bank at Dallas, Dallas, Tex.
Early F. Mitchell	Executive Vice President, First National Bank of Memphis, Memphis, Tenn.
Arthur H. Quinn, Jr.	Vice President, The Philadelphia National Bank, Philadelphia, Pa.

Thomas L. Ray	Senior Vice President, Mercantile Trust Co., N.A., St. Louis, Mo.
Robert B. Rivel	Senior Vice President, The Chase Manhattan Bank, N.A., New York, N.Y.
Wesley G. Schelke	Vice President, Seattle-First National Bank, Seattle, Wash.
Franklin Stockbridge	Executive Vice President, Security Pacific National Bank, Los Angeles, Calif.
James G. Wilson	Vice President, The National Shawmut Bank of Boston, Boston, Mass.
Richard F. Kezer	Vice President, First National City Bank, New York, N.Y.

NATIONAL ADVISORY COMMITTEE ON BANKING POLICIES AND PRACTICES

On October 4, 1965, the Comptroller of the Currency appointed this Committee, composed of leading bankers. The Committee has participated in a cooperative effort to bring the thinking of the banking community to bear on the many matters of national concern in which the banking industry is vitally involved. No meetings of this Committee were held in fiscal year 1970. Members of the Committee are as follows:

Robert C. Baker	Chairman, American Security & Trust Co., Washington, D.C.
Robert M. Surdam	President, National Bank of Detroit, Detroit, Mich.
Roger C. Damon	Chairman of the Board, The First National Bank of Boston, Boston, Mass.
G. Morris Dorrance, Jr.	Chairman of the Board, President, and Chief Executive Officer, The Philadelphia National Bank, Philadelphia, Pa.
George S. Eccles	President, First Security Bank of Utah, Salt Lake City, Utah
J. A. Elkins, Jr.	Chairman of the Board, First City National Bank of Houston, Houston, Tex.
John S. Fangboner	Chairman of the Board, The National City Bank of Cleveland, Cleveland, Ohio
Sam M. Fleming	Chairman of the Board, Third National Bank in Nashville, Nashville, Tenn.
Robert D. H. Harvey	Chairman of the Board and Chief Executive Officer, Maryland National Bank, Baltimore, Md.
William M. Jenkins	Chairman of the Board, Seattle First National Bank, Seattle, Wash.
Mills B. Lane, Jr.	President, The Citizens & Southern National Bank, Atlanta, Ga.
Frederick G. Larkin, Jr.	Chairman of the Board, Security Pacific National Bank, Los Angeles, Calif.
John A. Mayer	Chairman of the Board, Mellon National Bank & Trust Co., Pittsburgh, Pa.
J. E. Patrick	Vice Chairman of the Board, Valley National Bank of Arizona, Phoenix, Ariz.
W. Harry Schwarzschild, Jr.	Chairman of the Board and President, The Central National Bank, Richmond, Va.
Robert H. Stewart, III	Chairman of the Board, First National Bank in Dallas, Dallas, Tex.
R. A. Peterson	Director, Bank of America, San Francisco, Calif.

REGIONAL ADVISORY COMMITTEES ON BANKING POLICIES AND PRACTICES

On November 11, 1965, the Comptroller of the Currency established 14 Regional Advisory Committees on Banking Policies and Practices to assist the agency in a continuing review aimed at keeping bank regulation abreast of the Nation's needs.

The Committees' membership and the dates of the regional meetings during fiscal 1970 follow:

Region 1 meeting dates October 6, 1969, and April 9, 1970.

Edward M. Stone (Chairman)	President, Merchants National Bank, Bangor, Maine
William R. Kennedy	President, Merrimack Valley National Bank, Haverhill, Mass.
Francis H. Dewey, III	President, The Mechanics National Bank, Worcester, Mass.
Russell B. Neff	President, Third National Bank of Hampden County, Springfield, Mass.
Frank G. Chadwick, Jr.	President, The First New Haven National Bank, New Haven, Conn.
Richard P. Chapman	Chairman of the Board, New England Merchants National Bank, Boston, Mass.
Clarence G. Gifford, Jr.	President, Rhode Island Hospital Trust National Bank, Providence, R.I.
Francis N. Southworth	President, Concord National Bank, Concord, N.H.
Frank W. Black	Executive Vice President, The Peoples National Bank of Barre, Barre, Vt.
Harlan H. Griswold	Chairman of the Board, The Waterbury National Bank, Waterbury, Conn.
Richard D. Hill	President, The First National Bank of Boston, Boston, Mass.
Wendell L. Phillips	President, Northern National Bank, Presque Isle, Maine
Mark C. Wheeler	President, New England Merchants National Bank, Boston, Mass.

Region 2 meeting dates November 10, 1969, and May 16, 1970.

Robert B. Hole (Chairman)	President, The National Bank of Auburn, Auburn, N.Y.
William H. Bell, Jr.	President, First Camden National Bank & Trust Co., Camden, N.J.
Harold V. Gleason	President, Franklin National Bank, Mineola, N.Y.
H. Russell Johnson	President, The Oneida National Bank & Trust Co. of Central New York, Utica, N.Y.
William J. Kinnamon	President, The Hunterdon County National Bank of Flemington, Flemington, N.J.
Richard G. Macgill	President, First Trenton National Bank, Trenton, N.J.
Edward C. Bower	President, Virgin Islands National Bank, St. Thomas, V.I.
James D. Elleman	President, Trust Co. National Bank, Morristown, N.J.
Edward J. Gunnigle	President, Marine Midland Tinker National Bank, East Setauket, N.Y.
Arthur S. Hamlin	President, The Canandaigua National Bank & Trust Co., Canandaigua, N.Y.
Charles E. Langner	President, First National Bank of Belvidere, Belvidere, N.J.
Donald E. Stone	President, Farmers National Bank, Malone, N.Y.

Region 3 meeting date, June 12, 1970.

John C. Tuten (Chairman)	President, National Bank & Trust Co. of Central Pennsylvania, York, Pa.
Thomas H. Kiley	President, The First National Bank of Wilkes-Barre, Wilkes-Barre, Pa.
Harold F. Still, Jr.	President, The Central Penn National Bank, Bala Cynwyd, Pa.
Charles J. Heimberger	President, The First National Bank of Pennsylvania, Meadville, Pa.
M. A. Cancelliere	President, Western Pennsylvania National Bank, Pittsburgh, Pa.
Harold J. Frey	President, The Fulton National Bank of Lancaster, Lancaster, Pa.

Eugene F. Lee	President, People's National Bank, State College, Pa.
H. R. Sloan	President, Bradford National Bank, Bradford, Pa.
John Deemer	President, Williamsport National Bank, Williamsport, Pa.
William F. Jones	President, Easton National Bank & Trust Co., Easton, Pa.
Frank S. Smith	Chairman, The First National Bank of Altoona, Altoona, Pa.
J. Bruce Maclay	President, The Gettysburg National Bank, Gettysburg, Pa.

Region 4 meeting dates, September 12, 1969, and May 1, 1970.

Seward D. Schooler (Chairman)	President, Coshocton National Bank, Coshocton, Ohio
Paul E. Shaffer	President, Fort Wayne National Bank, Fort Wayne, Ind.
Robert F. Garrettson	President, The First-Merchants National Bank of Michigan City, Michigan City, Ind.
Walter F. Lineberger, Jr.	Chairman and Chief Executive Officer, Society National Bank of Cleveland, Cleveland, Ohio
Frank A. McCracken	President, The Newport National Bank, Newport, Ky.
Fred B. Oney	President, The First National Bank, Carrollton, Ky.
L. J. Arnold	President, The First National Bank of Danville, Danville, Ind.
R. A. Brownsword	President, Akron National Bank & Trust Co., Akron, Ohio
Maxwell J. Gruber	Chairman, Euclid National Bank, Euclid, Ohio
Robert B. Johnson	President, Pikesville National Bank & Trust Co., Pikesville, Ky.
Maurice R. Kirkwood	Vice President, American Fletcher National Bank & Trust Co., Indianapolis, Ind.
Jo. T. Orendorf	Chairman and President, The Citizens National Bank of Bowling Green, Bowling Green, Ky.

Region 5 meeting dates, December 5, 1969, and May 14, 1970.

Hovey S. Dabney (Chairman)	President, National Bank & Trust Co., Charlottesville, Va.
George Blanton, Jr.	President, The First National Bank of Shelby, Shelby, N.C.
J. Owen Cole	President, The First National Bank of Maryland, Baltimore, Md.
Robert L. Gordon, Jr.	President, First & Merchants National Bank, Richmond, Va.
John P. Sippel	President, The Citizens National Bank, Laurel, Md.
Coleman E. Trainor, Jr.	President, The First Huntington National Bank, Huntington, W. Va.
John M. Christie	President, The Riggs National Bank of Washington, D.C., Washington, D.C.
Francis Bell, Jr.	President, Rockingham National Bank, Harrisonburg, Va.
Roy C. Herrenkohl	President, The Colonial-American National Bank of Roanoke, Roanoke, Va.
Thomas I. Storrs	President, North Carolina National Bank, Charlotte, N.C.
Dale H. Smith	Chairman of the Board and President, Fairfax County National Bank, Seven Corners, Va.
Martin Piribek	Executive Vice President, The First National Bank of Morgantown, Morgantown, W. Va.

Region 6 meeting dates, October 31, 1969, and April 3, 1970.

William K. deVeer (Chairman)	President, First National Bank in Palm Beach, Palm Beach, Fla.
A. L. Ellis	Chairman, First National Bank in Tarpon Springs, Tarpon Springs, Fla.
Gordon Jones	President, Fulton National Bank, Atlanta, Ga.
Bert Lance	President, The Calhoun National Bank, Calhoun, Ga.
R. A. Liggett	Chairman, The First National Bank of Tampa, Tampa, Fla.
Mitchell Patton	President, The Peoples National Bank, Greenville, S.C.
Ray Dahl	President, First National Bank of Cape Canaveral, Cape Canaveral, Fla.
John H. Lumpkin	President and Chief Executive Officer, The South Carolina National Bank, Columbia, S.C.
John H. Manry, Jr.	President, Florida National Bank & Trust Co. at Miami, Miami, Fla.
Billy E. Nalls	President, Farmers National Bank, Monticello, Ga.
Donald T. Schutt	President, First National Bank, Valdosta, Ga.
T. E. Tucker	Chairman, National Bank of Melbourne & Trust Co., Melbourne, Fla.

Region 7 meeting dates, November 19, 1969, and April 23, 1970.

Lyndon D. Comstock (Chairman)	President, Hackley Union National Bank & Trust Co., Muskegan, Mich.
John H. French, Jr.	President, City National Bank of Detroit, Detroit, Mich.
Fred H. Hahne	President, The First National Bank of Manistique, Manistique, Mich.
R. G. Livasy	President, The Millikin National Bank of Decatur, Decatur, Ill.
Robert I. Logan	President, Central National Bank in Chicago, Chicago, Ill.
Jay J. DeLay	President, Huron Valley National Bank, Ann Arbor, Mich.
Edward W. Bowen	President, Peoples National Bank & Trust Company of Bay City, Bay City, Mich.
Richard L. Curtis	President, Michigan Avenue National Bank of Chicago, Chicago, Ill.
M. Ryrie Milnor	President, First National Bank & Trust Co. in Alton, Alton, Ill.
William R. Wandrey	Chairman and President, Moline National Bank, Moline, Ill.
Melvin C. Lockard	President, First National Bank, Mattoon, Ill.
Robert L. Holt	President, The Elgin National Bank, Elgin, Ill.

Region 8 meeting dates, November 17, 1969, and June 15, 1970.

Harry M. Nacey, Jr. (Chairman)	President, Hamilton National Bank, Knoxville, Tenn.
Cecil K. Colon	President, Calcasieu–Marine National Bank, Lake Charles, La.
John W. Gay	President, First National Bank, Scottsboro, Ala.
W. D. Malone, Jr.	President, First National Bank, Dothan, Ala.
Thomas W. Stone	President, Arkansas First National Bank of Hot Springs, Hot Springs, Ark.
Ellis E. Shelton	President, First National Bank, Fayetteville, Ark.
Andrew Benedict	Chairman, First American National Bank, Nashville, Tenn.
Lewis K. McKee	Chairman, National Bank of Commerce, Memphis, Tenn.
Walter B. Jacobs, Jr.	Chairman, The First National Bank of Shreveport, Shreveport, La.
W. A. Marbury, Jr.	President, Homer National Bank, Homer, La.

Wade C. Barton	President, First Citizens National Bank, Tupelo, Miss.
Wade W. Hollowell	President, The First National Bank, Greenville, Miss.

Region 9 meeting date, March 6, 1970.

R. H. Walrath (Chairman)	President, First National Bank of Watertown, Watertown, S. Dak.
Thomas E. Olson (Vice Chairman)	President, The First National Bank of Starbuck, Starbuck, Minn.
Marvin R. Campbell	President, First National Bank of Crookston, Crookston, Minn.
John E. Davis	President, First National Bank of McClusky, McClusky, N. Dak.
D. H. Gregerson	President, First National Bank of Anoka, Anoka, Minn.
George F. Kasten	Chairman of the Board, First Wisconsin National Bank of Milwaukee, Milwaukee, Wis.
W. A. Kummrow	President, First National Bank of Waukesha, Waukesha, Wis.
Scott Lovald	President, First National Bank of Philip, Philip, S. Dak.
Philip H. Nason	President, The First National Bank of Saint Paul, Saint Paul, Minn.
Harold C. Refling	President, First National Bank in Bottineau, Bottineau, N. Dak.
C. F. Wilke	President, Shawano National Bank, Shawano, Wis.

Region 10 meeting dates, October 15, 1969, and May 13, 1970.

Donald E. Lasater (Chairman)	President, Mercantile Trust Co., N.A., St. Louis, Mo.
James E. Coquillette	President, The Merchants National Bank of Cedar Rapids, Cedar Rapids, Iowa
Dale Ball	President, First National Bank of Council Bluffs, Council Bluffs, Iowa
Charles Clevenger	President, The First National Bank of Topeka, Topeka, Kans.
Donald E. Lasater	President, Mercantile Trust Co., N.A., St. Louis, Mo.
Glenn Yaussi	Chairman of the Board, National Bank of Commerce Trust & Savings Association, Lincoln, Nebr.
Edward Cosgriff	President, City National Bank of Hastings, Hastings, Nebr.
Thomas R. Smith	President, The First National Bank of Perry, Perry, Iowa
A. J. Collins	President, Hutchinson National Bank & Trust Co., Hutchinson, Kans.
A. Dwight Button	Chairman, The Fourth National Bank & Trust Co., Wichita, Kans.
Ray Evans	President, Traders National Bank of Kansas City, Kansas City, Mo.
Milton Tootle, Jr.	President, The American National Bank of St. Joseph, St. Joseph, Mo.
H. D. Kosman	President, The Scottsbluff National Bank, Scottsbluff, Nebr.

Region 11 meeting dates, October 9, 1969, and May 19, 1970.

George A. Nicoud, Jr. (Chairman)	Executive Vice President, First National Bank in Dallas, Dallas, Tex.
Clark Bass	President, First National Bank of McAlester, McAlester, Okla.
John Cleary	President, Republic National Bank of Tulsa, Tulsa, Okla.

Eugene M. Phillips	President, The First National Bank, Panhandle, Tex.
W. L. Stephenson, Jr.	President, Central National Bank & Trust Co. of Enid, Enid, Okla.
Sam D. Young, Jr.	President, El Paso National Bank, El Paso, Tex.
Jasper Allbright	President, Longview National Bank, Longview, Tex.
Dan Lacy	President, Central National Bank of Oklahoma City, Oklahoma City, Okla.
Charles E. Maedgen, Jr.	President, The Lubbock National Bank, Lubbock, Tex.
Max A. Mandel	Chairman of Executive Committee, The Laredo National Bank, Laredo, Tex.
Jack Pilon	President, First National Bank in Brownwood, Brownwood, Tex.
Robert Stewart, Jr.	President, Bank of the Southwest, N.A., Houston, Tex.

Region 12 meeting dates, November 20, 1969, and June 25, 1970.

Roger D. Knight, Jr., (Chairman)	Chairman of the Board, Denver United States National Bank, Denver, Colo.
Thomas S. Moon	President, First National Bank of Colorado Springs, Colorado Springs, Colo.
Reed H. Chittim	President, First National Bank of Hobbs, Hobbs, N. Mex.
John W. Hay, Jr.	Chairman of the Board and President, Rock Springs National Bank, Rock Springs, Wyo.
R. W. Miracle	President, The Wyoming National Bank of Casper, Casper, Wyo.
Harold J. Steele	President, First Security Bank of Utah, N.A., Salt Lake City, Utah
Sherman H. Hazeltine	Chairman of the Board, First National Bank of Arizona, Phoenix, Ariz.
George B. McKinley	President, First National Bank in Grand Junction, Grand Junction, Colo.
Donald F. Delano	President, The Burns National Bank of Durango, Durango, Colo.
Robert U. Hansen	President, The First National Bank of Wray, Wray, Colo.
Edward H. Tatum, Jr.	Chairman of the Board, The First National Bank of Santa Fe, Santa Fe, N. Mex.
A. Edward Kendig	President, First National Bank in Wheatland, Wheatland, Wyo.

Region 13 meeting dates, September 5, 1969, and May 1, 1970.

Kenneth McElhaney (Chairman)	President, The Bellingham National Bank, Bellingham, Wash.
William G. Moran	President, The First National Bank of Ketchikan, Ketchikan, Alaska
E. L. Kunkel	President, The First National Bank of Butte, Butte, Mont.
Ralph J. Voss	President, First National Bank of Oregon, Portland, Oreg.
V. L. Moore	President, The National Security Bank of Newport, Newport, Oreg.
James Brennan	President, First National Bank in Spokane, Spokane, Wash.
Andrew Price, Jr.	Chairman, National Bank of Commerce of Seattle, Seattle, Wash.
Thomas C. Frye	President, The Idaho First National Bank, Boise, Idaho
Adrian O. McClellan	President, The First National Bank of Great Falls, Great Falls, Mont.
R. C. Smith	President, The First National Bank of Enumclaw, Enumclaw, Wash.
T. A. Vashus	President, First National Bank of Glendive, Glendive, Mont.

Eugene O. Gillette	President, The Conrad National Bank of Kalispell, Kalispell, Mont.

Region 14 meeting dates, October 31, 1969, and April 3, 1970.

Wayland T. Davis (Chairman)	President, San Joaquin Valley National Bank, Tulare, Calif.
Richard P. Cooley	President, Wells Fargo Bank, N.A., San Francisco, Calif.
Wallace H. McDaniel	President, Escondido National Bank, Escondido, Calif.
David H. Rowen	Chairman of the Board and President, Beverly Hills National Bank, Beverly Hills, Calif.
Carl E. Schroeder	President, The First National Bank of Orange County, Orange, Calif.
K. J. Luke	Chairman of the Board and President, Hawaii National Bank of Honolulu, Honolulu, Hawaii
Arthur M. Smith	Chairman of the Board and President, First National Bank of Nevada, Reno, Nev.
Rayburn S. Dezember	Chairman of the Board and President, Bakersfield National Bank, Bakersfield, Calif.
Arthur W. Foster	Chairman of the Board and President, The First National Bank of Cloverdale, Cloverdale, Calif.
Howard W. Rathbun	President, The First National Bank of San Jose, San Jose, Calif.
Edward L. S. Evans	President, Valley National Bank, Salinas, Calif.
Warren R. Harding	President, The First National Bank of Pleasanton, Pleasanton, Calif.

STATISTICAL APPENDIX

TABLES

The statistical tables to this annual report will be published in the separate "Statistical Appendix."

INDEX

A

B

N

O

P

R

S

T